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THE

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August 1920

CREDIT MONTHLY

PRINCETON, N. J.

The National



Magazine of

BUSINESS FUNDAMENTALS

Transportation Now A Credit Problem

*The Railroads' Credit
and Their Future*

Pierpont V. Davis

*Foreign Credit Aspects
of Port Design*

R. S. MacElwee

*Improved Transportation
in Relation to Credit*

George M. Graham

*Can Airplanes Solve the
Transportation Problem?*

J. S. Green

The Submerged 92%. By Governor Allen of Kansas

Published by the National
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Vol. XXII
No. 7

THE CREDIT MONTHLY

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William Walker Orr, *Editor*

Rodman Gilder, *Managing Editor*

Vol. XXII

AUGUST, 1920

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Transportation Now a Credit Problem

THE burdens and perplexities of handling credits have been greatly aggravated by the deplorable condition of our transportation system, which unless corrected is to impose costly inconvenience and acute suffering upon the country.

No subject was more earnestly discussed at the Convention of the National Association of Credit Men at Atlantic City, when the transportation problem was clearly seen as one of our most serious credit problems.

It was resolved that the Association exert its influence to impress upon Government authorities, upon business men and upon the people as a whole that the first step in getting business back to normal is to apply those remedies which shall assure free and adequate channels of distribution and their proper equipment. This is to be attained by diverting, as liberally as the present strained situation will permit, our credits for the reequipment of overland and water carriers. Confidence must be reestablished in the safety of credits and investments so diverted. We must no longer pass over without consideration the demands of the railroads. A new day dawns when railroad credits are taken seriously.

This is not a problem alone for the Inter-

state Commerce Commission and for the banker; it is especially one for the business man. Members of this association, many of whom have to do with investments, individual, fiduciary and institutional, must see to it that there is swept away that which prejudices against transportation investments those who have small or large amounts to invest.

How can there be under our complex business life prosperity and widely diffused comfort unless there are adequate transportation channels adequately equipped? As the credit system has had nearly everything to do with the building of this complex system of business, so we of the credit fraternity must justify that system by going to the heart of the problems of one of the greatest instrumentalities of modern business, the transportation system; we must exert our influence privately and publicly to the solving of every phase of the problem, from the providing of the means necessary to the functioning of the system to the most economic methods of developing transportation in all its phases.

This issue of the *Monthly* has much to say on the subject and largely is a reflex of the thought of the Atlantic City Convention.

Economic Necessity of Re-establishing Railroad Credit

By J. H. Tregoe

Secretary-Treasurer, National Association of Credit Men

THE people of the United States established their government "in order to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty" for themselves and their posterity and not with the purpose of doing business. It was never intended that the Federal Government should go into business; the Government was to make business possible on the part of the people. The Government has neither training nor aptitude in this line. The most striking proof of the incapacity of the Government is in the episode of the railroads.

For a variety of reasons, more or less legitimate, the railroads were turned over to the Government, were operated for the better part of two years and were returned in a deterior-

ated physical condition and a seriously impaired credit condition.

Now, one of the great needs of the American business man, publicist, and statesman is a knowledge of economics. Anyone who has even the slightest appreciation of the basic principles of economics, knows that the railroads must be rehabilitated and that this physical rehabilitation depends upon the reestablishment of credit of the railroads.

It is therefore essential that every one who has a voice in the Government—which means every one with a vote or voice in the United States—should employ every legitimate means to see that the railroads get the consideration to which they are entitled. Anything short of this consummation would lead to economic difficulties for which we would all have to pay a heavy penalty.

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AUGUST, 1920

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The Railroads' Credit and Their Future

Optimistic View of Problem of Financing Roads

By Pierpont V. Davis

Vice-President National City Company, New York

Address at Annual Convention of National Association of Credit Men

THE present unsatisfactory transportation conditions are due to an apparent belief on the part of a large number of people that they can get something for nothing. At a hearing in Washington last month, a representative of certain western shipping organizations complained at considerable length of the scarcity of freight cars. When he was asked if he believed a rate increase necessary to relieve the situation, he replied that he did not think the question was a fair one. Yet it is certainly elementary economics that maintenance of service depends on credit, and that maintenance of credit, in the last analysis, rests on earnings.

In any discussion of the present credit condition of the railroads of this country the fact must not be lost sight of that scarcity of credit is crippling industry all over the world. A very admirable summing up of the present-day economic situation, almost perfect in its aptness, is contained in the following short paragraph:

"The profits of foreign trade indeed were greater than usual during the whole war, but especially towards the end of it. This occasioned what it always occasions—a general over-trading in all parts of the country; and this again occasioned the usual complaint of the scarcity of money, which always follows over-trading.

Many people wanted it, who had neither wherewithal to buy it, nor credit to borrow it; and because the debtors found it difficult to borrow the creditors found it difficult to get payment."

These words were written 154 years ago by a man whom John Ruskin described as "a half-witted Scotchman who taught the deliberate blasphemy 'Thou shalt hate the Lord, thy God, damn his laws and covet thy neighbor's goods.'" Today, Adam Smith is regarded as one of the greatest and soundest of political economists, and his writings prove that in the field of economics, as in the field of physics, given like causes, like results will be produced.

"The scarcity of money which always follows over-trading" is a phenomenon now existing in Japan, India, England, the United States, in countries agricultural and industrial. Here we went through the same experience after the Civil War. The railroads, or their promoters, were then the chief offenders. Railroads were built far ahead of their economic need and the consequent conversion of liquid capital into fixed capital proceeded at too rapid a pace. After the panic of 1873 a great many railroads were hopelessly insolvent and had to wait years until the country grew up to them. In 1920 the situation is quite the reverse. For the past decade the railroads have

been gradually slowing down in their growth and *we have now reached the point where the country must wait until the railroads grow up to it.* A progressive railroad management endeavors to maintain facilities at five to seven years ahead of demand; but in recent years this has been an unattainable ideal and the roads are at least three years behind their normal development.

FROZEN LOANS

This condition which is disturbing business men who have goods to transport, has also an important bearing on railroad credit. It means that given compensatory rates, there is traffic enough and to spare to keep all the railroads prosperous; and although the railroads are not responsible for the present money stringency as they were in 1873, they have, nevertheless, an indirect responsibility. We are beginning to hear a good deal about "frozen loans." These are principally loans that cannot be liquidated because the commodities securing them cannot move into consumption. It is difficult to estimate just what these loans amount to, but unquestionably they represent a very substantial sum of money. The loans of the Federal Reserve Bank in Minneapolis are forty-four times as large as they were a year ago and the increase is said to be largely due to the slow-

ness with which last year's crops can be transported. It is a fact that there is wheat in the terminal elevators in the west that was sold for export six months ago. The situation puts a further strain upon the banks and the credit situation in that the inventories of manufacturing companies become unbalanced or must be abnormally increased in order to insure continuous production. Then again, the banks are carrying loans which were made to the railroads two, three and four years ago, loans that were expected to be temporary and liquidated through the sale of securities. The contracting market for railroad securities has left the loans in the portfolios of the banks, which means that there is less credit available for the merchant and manufacturer.

THE EFFECTS OF REGULATION

If I may be permitted to indulge in a metaphor, I should liken the railroads to a firm of merchants. Nearly 100 years have elapsed since the business was founded. At first it was a highly speculative venture and the great risks faced entitled the owners to large profits. But the public demand for the products of the house was so insistent that less was thought of the price charged than of the articles desired. After the firm had been in business for sixty years its customers were persuaded that they wanted the books audited, and so for a further period of twenty years a body of accountants reported statistics of the business done, profits made, and occasionally made recommendations about the conduct of the business. Not much more than a dozen years ago, when the supply of goods furnished by this old firm was about equal to the demand the customers insisted upon establishing a system of price-fixing, with the result that in a remarkably short time the earnings of the business began to fall off. When the partners objected, their customers said, "You are doing better than ever. Just see how well your Lackawanna branch is doing." Or, "Your Burlington branch never showed larger surplus." This was quite true, but the books proved that the business, as a whole, was not thriving. Then a few years later the customers of the house together with the employees made further demands. But the partners said the demands were equivalent to turning the management of their business over to outsiders who had no financial interest in the firm. When this change was accomplished some of the partners retired from the business and withdrew their capital. Today the real problem is to induce

new partners with capital to step in and take the place of those who retired during the past decade.

I think they, the new partners, will be secured. The business is an attractive one and the rules of the game have lately been made much fairer.

A few years ago some rather noisy people insisted that the assets of the firm were padded, and a special group of accountants were engaged to look into the matter. Those who were familiar with the business never had any doubt about the results. Some figures have just been spread on the records in Washington that will go far towards silencing the noisy people mentioned. What do these figures show?

VALUATIONS

The Bureau of Valuation of the Interstate Commerce Commission has issued preliminary reports and tentative valuations covering nearly 52,000 miles of road, or about a quarter of the mileage of the so-called Class 1 railroads. These figures show that the cost of reproduction of these properties, plus their land values, but without making any allowance for working capital, or materials and supplies on hand, or securities owned, or "going-concern" value, all of which are elements of value, is \$45,000,000 more than the value which the railroads have carried them at in their books. The book costs are almost always much more than the capitalization, and the par value of the capitalization is much larger than the market values at today's abnormally low figures.

As an example, let us take the Rock Island, which shows a cost new, including its land, of \$388,000,000 as of June 30, 1914. The Rock Island's books show that on that date the investment was \$341,000,000. Since the valuation date the company has been reorganized and more than \$25,000,000 of new capital put into the property, while the aggregate market value of the securities of the company is only \$250,000,000. I have not the least doubt that when the Interstate Commerce Commission has completed its valuation for all the railroads of the country the results will similarly show that the values are substantially in excess of the total capitalization. Such figures are bound to have a very constructive influence in improving the state of railroad credit.

RAILROAD INVESTMENT POSITION

There has been a marked improvement in the attitude of investors towards railroad securities in the past few months. The Transportation Act became a law on the 28th of last February. About a month later a few railroads began to offer securities, which offerings met with so

satisfactory a response that no less than \$250,000,000 of equipment notes and other bonds have been sold since. This fortunate revival may be ascribed in part to public satisfaction with the Esch-Cummins Act, which I regard as the first really helpful railroad legislation since the Interstate Commerce Act itself was passed in 1887. The high rate at which the offerings have been made has also influenced their sale. The Pennsylvania Railroad, for example, has not until recently offered a 7 per cent obligation in forty-five years, and it is only fifteen years since it was selling a 3½ per cent bond at par. The market is restricted to well known carriers of strong credit, of which, I should say, there are today less than two dozen. The weaker companies must for a time lean on the Government and some provision for this was made in the Transportation Act by the creation of a \$300,000,000 fund.

Every one in the bond business will tell you of the remarkable change which has taken place since the Revenue Act of 1917 passed. Securities are now being distributed to a brand new class of investors. The man with large income no longer desires to purchase taxable securities. We made an analysis of the sales of our company in a few recent offerings and found that we had sold \$20,000,000 of bonds with an average sale of less than \$2,500 to each customer. The elimination of the large private investor, and the fact that the banks are of course unable to purchase securities, in view of the demand on them for current credit, makes the railroads' problem of raising new money still more difficult, especially as they are in competition with strong industries of all kinds which can afford to pay a higher rate of interest.

NEEDS OF RAILROADS

Probably the need for new equipment is overstressed. Granted that considerable additions to rolling stock and motive power should be made, unless large amounts of money are currently spent on terminals we will be little, if any, better off; and terminals absorb a vast amount of money. The Illinois Central has an ambitious project in Chicago which is estimated to cost not less than \$110,000,000. The Kansas City Terminal, which was expected to call for an expenditure of about \$25,000,000, has required nearly twice that amount.

The railroads need capital not only to catch up with the present demands but to cover past deficiencies. Because the amounts considered neces-

(Continued on page 36)

Getting the Money and Saving the Account

Actual Correspondence Showing the Cash Value of Courtesy

By *Walter B. Mack*

IN credit work, concrete examples of the successful liquidation of a hard account accomplished without destroying the feeling of good-will between seller and buyer, will never fail to hold interest. Oftentimes, the accomplishment calls for a high type of diplomacy, but most of all for downright manhood and fellow feeling which answers the appeal to the sense of fair play. There must be brought into use every faculty that the seller possesses, for strangely enough, the right note is sometimes struck by using some reference or phrase which by itself is quite unrelated to the matter in hand.

The following actual and recent correspondence is worthy of study. The item amounted to more than \$200, for goods sold at 30 days net, and delivered during the month of February. Four courteous requests in the form of statements, with crescendo requests for payment, had been made without result. When the account was 60 days overdue, the following letter was sent to the debtor:

My Dear Sir:

It is not the intention of our — office to force the collection of your old account.

It is not their desire to create any kind of a hardship or expense for you.

It is not our desire in any way to add to the present existing pressure of credit conditions.

It IS our desire, however, to say that you must NOW present some plan of settlement which can be accepted by us, and we feel that 10 days is giving you ample time to submit your proposition.

Very truly yours,

In response to the above, came the following:

Gentlemen:

I have received your statement and in reply would ask you to be patient a little longer and I will settle your account in full.

Thanking you in advance, I am

Yours very truly,

The above was dated April 16. On May 6 another letter was written to the debtor, as follows:

My Dear Mr. —

You wrote us April 16th and asked us to wait a little longer and you would settle your account in full. We have now waited until May 6th. Now we feel that this is a "little longer," in fact, that it is

a little more than a "little longer." Certainly you should have given us a share of some of your Easter trade, instead of giving it all to the other fellow. Besides a fellow always feels good when his bills are paid and the fellow he is owing always feels better when he gets it.

Very truly yours,

This letter was ignored, and was followed with an attorney's letter,—short, sharp and to the point,—which drew the following reply:

Gentlemen:

We have mailed your check and are sorry to have kept you waiting.

I have again received a letter from — and am sorry to have put you to any trouble. While I have always appreciated your kind treatment, I take the opportunity to say that I hereby request you to close my account absolutely, and under no consideration try to sell any goods to any of my people.

Please acknowledge receipt of this letter.

Yours very truly,

The check enclosed in the above was promptly acknowledged, and the letter called to the personal attention of an officer of the company, who wrote the customer as follows under date of June 14:

My Dear Sir:

Responding to yours of June 12th relative to closing your accounts, etc. This was brought to my personal attention this morning, and I have gone into the subject, and since it is your request, we will very cheerfully comply. Reciprocating your remarks as to kind treatment, we want to say that we have appreciated your business.

The writer personally tried to appreciate your promises relative to settlements and we regret more than you do, the fact that it appeared to be necessary to adopt more or less strenuous efforts to have your promises fulfilled.

The writer happens to know that last winter we gave you merchandise when we turned down other applicants, first, because your account was established, second, because we wanted to continue it, third, because you promised our Mr. — that you would be glad to give us a future order, if we could only try to take care of you when you needed our product very badly. You may have given us the promised order later. The writer does not at this time recall. However, be that as it may, we can only say that we regret the attitude you have taken, and cannot understand why a merchant should be offended when he is asked to pay a bill, or be offended when he makes a promise and then does not show any inclination to live up to it. Especially is this true when we consider the kind of winter we had last season. However, our relations will con-

tinue to be friendly so far as the writer is concerned. We shall endeavor to develop that spirit of democracy which has been preached for the last few years. It is a splendid word that will do wonders to bring the world together understandingly and help in many ways to overcome conditions which sometimes creep in as a result of the diversified opinions resulting from the differences in human nature.

With kindest regards, we beg to remain

Yours very truly,

The writer of the above letter naturally assumed that it would not only close the account but close the subject; but three days later he received the following:

Attention of —

Gentlemen:

Your highly esteemed favor dated June 14th is duly received and has just been read by me. I more than appreciate your kind words and sincerely thank you for your splendid expressions.

In answer to all you have written, I have only one word to say; that I wish, for the sake of the human race, and the brotherhood of mankind, that there were more men like you, but it will be an honor to me to know that I can deal with a gentleman of your kind. I wish I could find better words to express to you how much inspiration a person can get from such an encouraging letter as you have written.

If you will pardon me for taking up your time for a moment, I will close with the following story:

During the war activities, there was a union service held at — wherein all the denominations participated. It was held next door to me in the —. Dr. Thompson of the Russell Sage Memorial Church delivered the oration of the day. All of us were deeply impressed with his remarks, and I asked him to have the sermon published. The reverend gentleman being modest, did not think much of it.

I want to say this about your letter—it should be given wide publicity, so that the merchants shall know there is one who knows how to give comfort once in a while.

Yours very truly,

We credit men, at least many of us, have had much to say from time to time about strengthening and building up our customers. It is the feeling of brotherhood that prompts this spirit, and the truer feeling of brotherhood that prompts the act. It is in the handling of our collections that we can best exercise our abilities as business builders, and much of our thought should be given to equipping ourselves and acquiring the ability to adjust our correspondence to a great diversity of mind and attitude.

Foreign Credit Aspects of Port Design

Entire Port Should be a Correlated Unit With Single Administration

By R. S. MacElwee, Ph.D.

Director of Bureau of Foreign and Domestic Commerce

Author of "Ports and Terminal Facilities"

HAS it ever occurred to you that the proper design of an ocean gateway, either at home or abroad, can facilitate your credit transactions in foreign trade? We are so apt to become absorbed in the physical layout of a port that we forget its fiscal aspect.

The design of an ocean port, as one correlated organism, can effect material savings to the railroad company, the steamship company, and the shippers. Inefficient practices on the part of any one of these prime factors are paid for by the consumer, or else the price of the goods to the foreign purchaser becomes so high that it is impossible to do business. (For a full description of this situation, see articles in the *Transportation World* for April, May and July, 1920.) These savings can be accomplished by the proper physical arrangement of the entire port area with its connections to the hinterland. Proper design of the factors in a port layout, with their proper interrelations, makes it possible to save wages by reducing the amount of labor necessary for a given tonnage movement. The saving of time means the saving of interest on the capital invested in port equipment, ships, freight cars, and merchandise. Efficiency or economy is the achievement of the greatest results for expended effort or resources. By economizing labor and time we are saving wages and interest.

PUBLIC OR QUASI-PUBLIC PORT ADMINISTRATION

Studies to this end have developed the principle that a port should be a unit, with public or quasi-public administration of the entire port as one organism. Also, careful study has shown that the problem of port efficiency, aside from economical, capable administration, turns upon the question of adequate and properly designed and constructed warehouses, with their relations to the water front and the railroad systems to the interior. Not counting dead storage, there are three principal kinds of storage: (1) There is storage in the wharf transit shed for cargo awaiting the loading of the

ship or discharged from the ship for delivery to the consignee. (2) There is the supporting warehouse



Bachrach

R. S. MACELWEE

Supplemented his American and German university training with years of practical work in foreign trade

for short-time storage and accumulation of cargo in advance. This supporting warehouse should be in immediate connection with the wharf. (3) There is the merchandising warehouse, which should also be in immediate reach of the water front, with mechanical connections for moving freight to and from the wharf in order to save carting. The water front laid out with the wharf sheds, with supporting warehouse and with merchandising warehouse,

would need only a fence along the back of it to make it the much desired free zone. This entire problem of the water-front plan to save wages and interest and to speed up the movement of freight is in itself so absorbing that persons interested in it have often overlooked the other principal factor, the financing of the imports and exports. This is closely connected with proper warehousing.

The proper design, construction, location, and administration of public and quasi-public warehouses immediately afford great opportunities in respect to financing and credit. The loaning of money on cargo or merchandise is as old as the Lombards. In fact, the process of borrowing money on merchandise is called "lombarding" in some languages. It is a very simple process; the warehouse receipt or "warrant" that gives title to the goods is negotiable and is surrendered to the bank in exchange for the loan. Obviously, the place, the manner, and the supervision of the storage of the goods are of vital importance to the institution or the individual advancing money on the merchandise. The willingness to make any loan at all, or the discount rate that will be charged for it, depends entirely on the security of the goods while they are in storage. They must be secure against: (1) Fire, (2) theft, and (3) fraud.

SECURITY OF STORED GOODS

1. Up to a certain economic limit it pays to build a warehouse of such durable and fire-resistant construction, and with such an elaborate sprinkler system and other means of fire protection, that the fire insurance rates can be reduced materially thereby. Substantial warehouses are built not only for durability, or for architectural display, but also for the very practical end of reducing insurance rates against hazards of fire, vermin, water, etc. Substantial warehouses, therefore, are made to insure the goods against damage or destruction.

2. The goods must be protected against pilferage, or theft, in order to constitute a good risk for a financial loan. Protection of the goods against thieves is a matter of warehouse con-

struction, of administration, and of supervision.

3. Protecting the lender against fraud, whether through theft or any other irregularity, is almost entirely a matter of administration. Public stores under a quasi-public or public port corporation that owns and operates the port with all its wharves, warehouses, belt railroads, and all that is connected with it, provide the best security against fraud. From this statement there should be excepted certain very large, well established, and thoroughly reliable private warehousing companies. There are, however, many small and little known warehousemen that are poor risks for loans. The port of New Orleans, with its public cotton warehouses and grain elevators, has demonstrated in America the benefits of unified public administration. The Free Port Warehouse Company of Hamburg is an example that is very old, the enterprise having been in operation in its present form since 1888. The advantage (to banks financing shipments) of the control, supervision, and policing of "lombard" warehouses by a public or quasi-public authority needs only to be mentioned to be understood.

Therefore, with warehouses that are properly constructed in their physical relations to the water front and are under proper supervision by thoroughly reliable public authorities, the risks of fire, theft, or fraud are reduced to a minimum, along with the actual cost of handling the goods to and from the warehouses. In addition to the economies in the physical movement of the goods, we are able to realize a low discount rate for

loans on the merchandise placed in such warehouses. In consequence of this desirable port construction and administration, there will follow the greater inclination on the part of financial institutions to lend money on the security of shipments of goods placed in such warehouses.

ECONOMICAL USE OF CAPITAL

Given this equipment, it becomes possible for merchants engaged in foreign commerce to carry on a large volume of business with a reasonable amount of capital. For instance, a merchant may buy a large consignment of Brazilian coffee, or Australian wool, at the time when the auctions take place and the lowest purchasing price prevails. These goods may be shipped "acceptance" or "draft American port." When the merchandise arrives it is put into the warehouse, the warehouse receipt is taken to the merchant's bank, and the merchandise is hypothecated in order to pay the foreign seller. By a system of "Konossement Teilscheine," or "receipts-in-part," as the Germans effectively developed them, the goods may be withdrawn from the warehouse as sold, by taking up part of the note represented by the part of the goods withdrawn. The importer is thus able to finance his shipment as it is sold.

Suppose such a port could be built up at Manila? American exporters could ship stocks to Manila and hold them there in bonded warehouses, being financed by the bank, and could withdraw the goods as they were sold to customers up and down the Asiatic Coast. The character of the warehouse facilities would deter-

mine, to a great extent, what credit the banks could extend on such stocks of merchandise. Without proper warehousing facilities such banking operations are under a great handicap.

The use of domestic bankers' acceptances in the marketing of staple commodities has greatly increased in the United States within the last few years. A merchant in a distant portion of the country will readily ship to a comparatively unknown party in another section if the consignee's bank will agree to accept the notes drawn. The goods, on arrival, may be placed in a warehouse, receipts may be issued for them, and such receipts may form the basis for the banker's acceptance. It is highly important that the management of the warehouses be entirely independent of the parties depositing the merchandise for which warehouse receipts are issued.

Recent railroad disturbances in the United States, by which commodities have been blocked for long periods in railroad yards and sidings, have caused serious embarrassment to those for whom the banks had extended credit on merchandise en route. The term "frozen credits" has therefore a very real meaning to American merchants and bankers; it illustrates the fact that credit and commercial transactions can move freely only when transportation and shipping facilities are functioning normally. The development, therefore, of our port and shipping facilities in this country and overseas has a very close relationship to efficient merchandising methods.

A Novel Use for Trade Acceptances

By F. H. Dilly,
Converse Rubber Shoe Co.,
Chicago, Ill.

PPROMPT payment can be obtained through a careful use of the trade acceptance when billing out shipments, even though the acceptance is not signed and returned as requested by the seller.

My department does not bill all shipments with trade acceptances attached, but forwards the acceptance to certain customers, who, we believe, should make a settlement on this basis, or who have expressed a willingness to settle in this manner. In certain localities the retailers have been emphatically against the acceptance and we took advantage of this opposition to bill them with trade acceptances attached. After checking over the accounts, we were gratified to find that a number of slow paying customers have discounted

their bills just because, as we analyze it, the trade acceptance was distasteful to them! In many cases they wrote that they would much rather discount their bills for cash than sign an acceptance, a conclusion with which, of course, we found no fault.

Our department, therefore, is a strong advocate of the trade acceptance method. We are particularly interested that our customers, who, heretofore, under the open account, have been from fifteen to thirty days slow with their payments, could be converted into discounters by what might be called a "simple twist of the wrist."

A Dog, a Gun, an Easy Mind

WHILE the credit department of the busy office located in the metropolitan center with all its noise and bustle was worrying about whether it would make a shipment or not, this Vermont merchant was off with his gun and his dog in the

woods across the lake, worried not a bit as to whether he was to get the credit or not. He writes:

"Gentlemen Please note I am in receipt of letter from you in Regards to Goods Orderd Oct 5 now this letter was Received by my wife & Forwarded to the Adurandacks where I were on my outing in the Deer woods on A hunt & as soo as I got out of the Wood I answered same & it was not far from the 11/11/19 & it fully explained matters to you & I do not see the nessaity of this letter two day but I will say I am not so Petucular whether you Ship or not I have now trouble in Pecuring all the Goods I can Passable Handle I have ben in Business for 16 Years now & have always baught on time & I find now truble at all & my Stock is my owne & is good for 5000. easy & I am not Awearing atall I have neary 1000. on hand in my Private Safe & Know whare thare is somme moore—& I will say if you send the Goods orderd you will get your Pay & if you dont you wont it is true I never did purchas a single Bill of goods yet with other Extintions them of paying for same & it is to late to begin now For I started with out one cent in the world Higher and gave Mortgage back & today I am worth around 15000 & so I am not scart of you are."

Improved Transportation in Relation to Credit

Highways Can Supplement Railroads and Waterways

By George M. Graham

General Sales Manager, Pierce-Arrow Motor Car Co., Buffalo, N. Y.

Address at Annual Convention of National Association of Credit Men

IT is distinctly an ordeal for a sales manager to have to do with so many credit men at one session! It has been my experience that a contest involving one credit man against one sales manager is already a sufficient handicap for the sales manager. In fact, I may say that the relations existing between the two elements are not always as those of one man who would give his coat to another.

I have had the feeling that the chief function of the credit man was to keep desirable accounts off the books. If a firm had a valuation of a hundred thousand dollars and an inventory of fifty thousand and a cash balance of twenty-five thousand, the credit manager might, after very considerable thought, be willing to extend a credit line of two hundred and eighty dollars.

In this unequal contest, you are winning. The sales manager is hopelessly handicapped. It is no longer a question of how many orders the sales manager may put on the books. It is a question of how the purchaser may finance his purchases to satisfy you credit men who sit in a seat of high authority. You can impose a most drastic veto power; and speaking for those whose results are determined on the basis of the year's volume of business. I beg to remind you that it is a function of the giant to use his powers discriminatingly.

Three great problems confront business (and credit men are the custodians of the remedy for one of the problems): (1) Where shall we get the men to do the work? (2) Where shall we get the money to finance our operations? (3) Where shall we get the transportation to move our product?

I should like especially to address myself to the last of the three problems, though with all understanding of the fact that the three are so closely interwoven that it is not entirely possible to separate questions of credit and of transportation.

The distinguished secretary of this

organization sent out within the month a clarion call to the American people to solve their own troubles by the application of a system of thrift. It was good and wholesome advice and quite in line with his good judgment and high patriotism. He was appealing against waste, but the kind of waste against which he appeals has some compensating features and is trivial compared with the kind of waste against which I would protest.

Let us assume you are buying luxuries and are spending for luxuries with prodigal hand. It is perhaps wrong, but there certainly is benefit involved to somebody for you and your family to get the pleasure of the luxury, the merchant who sells it has his profit, the workman who made it benefits. But in the kind of waste that I attack there is no compensating element whatever. When we talk about the necessity of increasing a volume of credit commensurate with the needs of the business of this country, we should suggest where the credit is to be found. I say, go find that money which is doing nothing; and that money is to be found in the freight yards of the country, at the terminals, at the junctions, in the storehouses, and wherever any plant has production piled up because of lack of means to move that production.

Therefore, I want to discuss a waste directly due to deficient transportation methods and also to try to suggest a remedy for this condition.

The manufacturer is always both a borrower and a lender. He borrows that he may establish his physical facilities, build plants, pay workmen, develop designs; he lends that he may have distributors and supplement their resources with his to bridge over the interval between the shipment of goods and their cash sale to the consumer. The manufacturer's one hope of receipts in order to meet his obligations, to pay interest on his loans and to meet the principal when it matures, is to be found in his billing. If he cannot bill, he cannot operate.

PRINCIPAL METHODS OF BILLING

Now let us consider the principal methods of billing. Of cash billing there is comparatively little or else there wouldn't be credit men. That is to say, cash payment at the point of production is a negligible factor, with which we do not need to deal.

Similar is the payment of the sight draft attached to the bill of lading which is virtually a cash payment except that the time of payment is postponed until the goods have arrived.

We then have the two kinds of shipment on open account—the first carrying a billing from the date of shipment, the next in which the billing dates from the receipt of the goods.

And finally we have a kind of billing quite prevalent in retail merchandising propositions, as for instance department stores, in which a bill will carry ninety days with a 5 per cent discount at the termination of that ninety days.

I should like now very rapidly to show you some of the effects of delayed transportation on the several kinds of billing.

Let us take first the sight draft. A very considerable amount of product goes out in that way. Assuming a firm to be producing and moving one hundred thousand dollars' worth of product per day and assuming three hundred working days per year, you have an output of thirty million dollars' worth of product yearly.

Assume that that is being carried at 6 per cent and assume that every ten days is a fair average for the period of transportation between the point of production and the point of application. Now, every time you increase that average by ten days, you waste fifty thousand dollars; when it is twenty days' delay, it is a hundred thousand loss, and when fifty days a quarter of a million dollars. This quarter of a million dollars exercises not the slightest benefit to anybody.

Take the billing that carries the date of the shipment and the lost

days in transit involve a loss to the distributor or the agent, as the case may be. In the case of the dry goods business, for example, with a ninety-day billing and a 5 per cent discount, the presumption is that the ninety-day billing is necessary in order that the merchant may turn the goods to the public.

Assume, for instance, that instead of taking ten days for transportation, thirty are consumed. The merchant has lost twenty selling days and consequently he is into the fourth month. Either he has lost his discount or, if the merchant waives his right, has lost all the interest involved in the delay to say nothing of the hardship of having no goods to sell while his overhead continues.

But especially are the delays serious when applied to inventory. Consider a firm, for example, that has an average inventory of fifteen million dollars and turns it twice a year. There is an item of nine hundred thousand dollars of interest at 6 per cent, but the practical effect is as if the interest were only 3 per cent, since the inventory is manufactured up twice a year.

Now let us assume there are delays in the receipt of raw materials. You have exactly the same result as if the interest were doubled, if you can manufacture your product once a year.

Or you may have 90 per cent of all that is needed to go into a finished product, but if you are lacking the other 10 per cent you might as well have nothing. Various items which enter into the completed article come from all over the country and are subject to a variety of delays.

But the most serious and urgent thing of all is the fact that by reason of goods idling in transit, the manufacturer lacks the funds with which to support his customers. And no longer does the credit man have to pass solely on the desirability of a risk, but must consider the financial condition of his own firm and its ability to finance itself. While he is financing his own concern and withholding credits from customers, he is contracting volume of business and substituting stagnation for progress. The lifeblood of every business is expanding volume.

REMEDY FOR THIS SERIOUS CONDITION

There you have a very hastily sketched outline of a serious situation. I wish to consider with you the remedy. Of course the remedy is intimately knit up with the question of improved transportation facilities, and when we say transportation we must first begin with justice to the railroads.

Certainly nobody is so short-

sighted or stupid as to assume that the country can prosper unless the railway facilities are thoroughly up to normal. The railroads must have everything they need regardless of who else suffers in the process. They must have material, must have adequate financing, must be permitted to charge adequately remunerative rates and there must not be any delegations of business men going to Interstate Commerce Commissions when railroads are fighting to be permitted to charge a rate adequate to permit them to live. We must accept as a



GEORGE M. GRAHAM

Member of Motor Truck and Highways Committees of the National Automobile Chamber of Commerce

necessity that we pay the full total in freight charges necessary to maintenance and expansion and the high efficiency of the major element of transportation. I say the major element, but there are two other elements playing an increasing part that must not be disregarded. It is interesting to look at the mileage figures of the several mediums of transportation in this country.

First of all, the railroads of the United States have two hundred and fifty-nine thousand miles of trackage. The inland waterways amount to about fifteen thousand miles. The highways of the country total two

million seven hundred and fifty-four thousand miles or ten times as great a mileage as the railroads. But it is to be frankly conceded that only a portion of this mileage is available—perhaps 12 per cent. is reasonably good road, or two hundred ninety-six thousand miles, but even that 12 per cent. is in excess of the total trackage of the railroads.

Exact tonnage figures for the three factors are not available, but we have a good approximation made during the war. For the year 1918 there were moved over the inland waterways of the United States, the Great Lakes and the Mississippi, ninety million tons of product. In the same period there went over the railroads two billion five hundred and four million tons, and in the same period there went over the highways one billion two hundred thousand tons.

We see there a growing application of highway transportation and we see also an infinite possibility. As a matter of fact, the highways of this country are the least developed of all our great national assets. They offer the medium by which the railroads may be aided in reaching one hundred and five million of population scattered over three million square miles. They offer a medium which will affect all production, and when I speak of production I refer to primal elements in which you men of the Credit Men's Association in some connection or at some time are intimately connected.

I name them in their order: Food, fuel, raw material, finished product. All four depend on consumption, and the connecting line between production and consumption is transportation.

I should like to instance to you how deadly is the control of transportation over production. A graphic object lesson is only a month or so back of us. A few thousand switchmen went on strike, only an infinitesimal proportion of the workers of our country. What happened? A paralysis as complete as though some mighty cataclysm had swept out all the essentials of production—men, machinery and material. Never was the dictatorship of distribution proved more absolute.

There was a double paralysis. The manufacturer dared not continue to produce even though he had the raw material, for he lacked storage facilities. His output piled up, he lacked revenues to meet his expenses, his interest costs accumulated. Meantime the consumer, denied the product of these factories, suffered inconvenience and money loss. The great public, the ultimate and the big victim in all such transac-

tions, saw put in jeopardy health, and in some cases life itself, simply by interrupted transportation facilities.

What is the remedy? We know the difficulties of the railroads. We know that they are sadly deficient in facilities as the result of a short-sighted policy that stripped them for years of everything they should have had. The Railway Age says that 712,000 freight cars are lacking for a normal present capacity of freight. There is a 50 per cent. deficiency in locomotives. Even with friendly and beneficent legislation it will take time before the railroads can once more be on a basis of complete efficiency. In the interval, is there something to which we can turn? Is there something which may help.

HIGHWAY TRANSPORTATION

I invite your attention to highway transportation, which is another way of saying transportation by motor vehicle. There are few indeed who sense the remarkable advance that has already been made. I will illustrate it with a quotation from official records.

During the war, in dealing with the War Industries Board, the motor truck industry was called upon to justify its use of considerable volumes of gasoline, steel, coal and other raw material. It was told that with the shortage of steel in France, the misuse of one pound of steel almost constituted a kind of treason. Yet the motor truck industry was able, simply by a presentation of figures to establish its usefulness. This it did by calling to the attention of the board the priority list which the board had itself devised and into which were incorporated all the lines of manufacturing activity deemed essential to the war program. Out of the seventy-one kinds of business listed on that priority list, sixty-six were users of motor trucks in the speeding up of their war production. And the steel and the material and the priorities were instantly granted!

Now that is a considerable progress, but it is not enough. Why haven't we made more progress? I will be glad to answer that frankly. Perhaps we have been a little over confident; perhaps we thought we were rivals of the railroads, which we are not; perhaps we have not intelligently coordinated our activities with those of the railroad. We are just beginning to come to it, and the railroads themselves, with a broad vision, are heartily welcoming our aid.

Then again, we have suffered to some extent from restrictive, ignorant, discriminatory laws, and further, we have been embarrassed by bad highways. Now you may say

the trucks help to make those highways bad. I am a motorist myself and I am willing to concede that I do not have great pleasure in dropping a car into a hole made by a truck. But when you think of the sins of the truck against the highway, don't forget the sins of the highway against the truck. That is quite a factor, and while I am prepared to believe that temporarily until roads can be brought up to the proper development, there should be proper restrictions on heavy trucks, eventually I know that if highway transportation is a necessity then the highway must be the servant of transportation, not its master.

SHORT LINE RAILROADS

During the war Director Hines recommended the diversion of freight from the railroads to the trucks wherever possible. C. A. Morse, also of the Railroad Administration, has said that the short line railroad is based on economic error, cannot return a profit on the freight it handles and carries a deficit to the main trunk line. R. C. Wright, General Traffic Manager of the Pennsylvania Railroad, has said that under forty miles less than carload shipments by rail are not profitable, and that the railroads could well cut themselves loose from that kind of operation.

There was a time when there was no choice but to build these short lines. They were public carriers, they were called upon to satisfy the demands of commerce and there was at the time no medium to which this freight could be diverted. That medium is now at hand.

Let us pretend not that it is a hundred per cent. efficient. The motor truck was not like Adam, born mature. It had to be developed, but it has been making a very considerable progress. From the viewpoint of the railroads it seems to me the very ultimate of sound business judgment that when their facilities are already inadequate they should concentrate on profitable shipment all such facilities as they have. That, I submit, is sound logic, sound business.

The short line railroads are condemned by the railroad men. I examined short line railroad statistics with this address in mind. My figures, as of April 1, come from the American Short Line Railway Association. They show six hundred and fifty-nine railways in the United States with less than a hundred miles of tracks each. A hundred and thirty-three of them have only one locomotive. A hundred and sixty of them have less than ten miles of trackage. Four hundred and seventeen are less than twenty-five miles long.

Now, if Mr. Wright is correct (and he is a railroad man of high standing) and if his figures of forty miles as the minimum for profitable operation are justified, is it not a fact that two-thirds of the short line railroads of the United States are defeated before they start? And is it not a proper and right thing to shift that freight to a facility that can better handle it? That doesn't mean that the motor truck will be a rival of the railroad in distance haulage. The labor factor prohibits that. You can send three thousand tons of freight from New York to Chicago over the rails with six men as a crew. To do that by motor truck you need six hundred 5-ton trucks, six hundred drivers, six hundred helpers and perhaps six hundred expert repair men.

So we cannot compete in that field. It is not our place. We do not claim it, but we do claim a high efficiency in respect to the short haul. Already a mass of litigation is growing up all over the country as between motor truck haulage companies and short line railroad companies.

THE CASE OF THE SERVICEABLE TRUCK LINE

Now, it is not in my mind at all that we do not give due thought to the equities involved—the rights of the short line railway stockholders, but there are many ways they can get out. The short line railroad is often established by the trunk line and the stockholders would be only too glad to exchange certificates of most attenuated value for shares in the parent company. Secondly, there never was a time that railroad equipment could be sold at such favorable prices as now. Any thing is marketable. And thirdly, the short line companies themselves could embark in the motor truck business and thus employ a suitable medium.

I want to cite one typical case to clear up the relationship between the two factors—motor truck haulage companies and short line railroads—a matter of official record. This was a case heard before the Nevada State Utilities Commission. It concerned the application of two Italians constituting a motor truck haulage company, their names being Ginocchio. They asked for a certificate of public convenience to operate a motor truck haulage line over 51 miles between Reno and Minden. They were opposed by the Virginia and Truckee Railroad Company, which claimed that the creation of such new facilities would duplicate those already exercised by the railroad company. The railroad company was able to make a most formidable case. It

(Continued on page 28)

Credit Conditions in the Automotive Industry

Delayed Delivery of Material and Parts Causes Slow Collection

By C. A. Burrell, Credit Manager

Motor and Accessory Manufacturers Association

THE Credit Department of the Motor & Accessory Manufacturers' Association is constantly investigating and reporting upon about one thousand manufacturers of passenger cars, trucks, tractors, trailers, airplanes, bicycles and motorcycles, besides several times that number of jobbers and dealers in automobile parts and accessories.

The membership of the National Automobile Chamber of Commerce comprises eighty-three manufacturers of passenger cars and sixty manufacturers of trucks. While this organization is the parent organization of the builders of complete vehicles and represents an enormous volume of capital and annual business, still the real work of the Credit Department of my association is for the most part among the manufacturers who are not identified with the National Automobile Chamber of Commerce.

During 1919, the volume of business in parts, accessories, tires and complete cars was \$3,331,834,594, all of which was sold and furnished to the car manufacturer, either directly or indirectly, by the material and parts manufacturers. There were 33,000,000 tires and more than 76,600,000 barrels of gasoline produced. There are 7,558,848 motor vehicles in this country and the volume of sales is still growing, or would be but for the disturbances which have recently arisen in the industry.

I think you will agree that these figures represent a great volume of business that the credit grantors of the country must pass upon. The fact that the actual losses have been very slight is the most convincing argument that the automotive industry as a whole is sound and founded on the solid rock of good business principles.

WATCH YOUR STEP!

Producers of parts and accessories are all vitally interested in the credit entitlements of the manufacturers of complete vehicles and of those who sell such products. Those who produce the raw materials entering into the fabrication of these parts are just as deeply interested. As a matter of

fact, every person in the automotive industry, from the producer of the original raw product to the smallest salesman employed by a dealer or jobber, is more or less affected and interested in the condition of the industry as it exists at the present time and will probably exist for some time to come.

That conditions at the present moment are somewhat disturbing, cannot be truthfully denied. But I do not regard the disturbances as presaging a body blow, nor as nearly so serious as some would have us think. The fact remains, however, that there is plenty of food for thought and that manufacturers of products made for sale to the automobile manufacturer should feel it incumbent upon them to watch their step.

In my humble estimate, there is going to be a shake-down before our so-called readjustment period has reached its termination, and naturally, the fittest will survive. We have too many passenger car and truck builders. They cannot all live. The weak ones, insufficiently capitalized and with inefficient organizations, will be the first to feel the pinch of reduced demand, which is sure to come if it is not already here. Some of them have secured a certain confidence and standing in the industry from a production and credit viewpoint, without being justly entitled to serious consideration as a credit possibility.

A cursory examination of the records in my office shows that within the past six months or so, more than 125 car manufacturers have gone through or are now going through a program of refinancing. Many have been successful while others have not, and under present conditions I cannot help feeling that some are bound to go down in the landslide before they can secure sufficient funds to enable them to keep on top.

I believe there is no question that there has already been felt a slowing down in the demand for cars, particularly for passenger cars. The inability to raise the money needed to finance the manufacturer, the dealer and, if you please, the consumer, has caused weaknesses to appear and is going to cause more of them.

INFINITE TROUBLE DUE TO TRANSPORTATION DIFFICULTIES

Transportation conditions are the source of infinite trouble, perhaps the most serious that confronts us; inability of the car manufacturer to secure certain products is hurting materially; labor conditions are deplorable. Until all these things are remedied, the industry, while still sound, is not going to be in the firm, substantial condition that we desire. It is the duty of all of us to aid in the work of stabilizing the industry and to keep aiding it until it hurts.

It was the popular prediction and belief that the demand for cars in 1920 would be so great as to tax to the utmost the ability of the car manufacturers to meet it. They made their program accordingly. The parts maker endeavored to set his pace to correspond. The car dealers secured orders for cars and allowed the orders to stand until the buyers became discouraged and cancelled orders for thousands of cars for this or other reasons. Now we have reached the point where the inventory of practically every car builder is unbalanced and there is small prospect of evening it up for months to come. This matter of unbalanced inventory, to my mind, is far more serious and more general than it is thought to be. My organization receives financial statements from a large number of car manufacturers and in their analysis we almost invariably find inventory figures that are absolutely startling when compared with the other items that enter into the totals of the statement.

Lack of certain parts necessary to the completion of cars has become one of the most common excuses for failure to pay accounts. When we run across an inventory where the figures appear to approximate a balanced condition, it looks so inordinately small that we almost view it with suspicion; at least we feel like asking the owner of the inventory what he has been doing and why he has not bought with the same cheerful abandon and disregard of conditions that his fellow manufacturers have bought.

Money in the past few years in

this country has been spent so freely by our government and the public generally that it has, in a measure, lost its value. The average man of business came to feel dead sure that he could get all he wanted, when he wanted it by merely asking for it. Now is the time when money is needed all down the line and it doesn't exist outside of the banks—and their doors seem sometimes to be hermetically sealed to the applicant for funds to build anything.

What is going to be the net result? Is not something certain to drop? Aren't some of the manufacturers likely to fall by the wayside? And, incidentally, won't there be some credit grantors holding the bag? I cannot but feel that we must now watch creditors closely and, while doing so, bear in mind that this is the time to be just and not a burden to customers. The steel manufacturer, the parts manufacturer and all who furnish materials entering into the construction of the complete vehicle must now see that they must show a degree of leniency toward their customers that has never before, certainly not for a long time, been necessary.

TEMPERED LENIENCY

But leniency should be tempered with good judgment, for the fact remains that, in many instances, we will be compelled to finance the manufacturer just the same as we have done in the past. Indeed we shall never be able to get entirely away from this condition.

The automotive industry is too big, too broad and well established to be seriously affected by local conditions. National disturbances, however, do affect it but cannot long keep it down.

The credit man is going to be bothered more or less for a time by the weakness of the credit of his customers, but not enough of them are going wrong to break him, though some will surely be eliminated—possibly for the ultimate good of the industry.

I have been trying to arouse the members of the Motor & Accessory Manufacturers' Association to a realization of the need of caution and shall not relinquish my efforts in that direction. It would not be correct to class me as a pessimist. I am simply trying to look the situation squarely in the face and get the right proportions.

A. B. C.

The circulation of The Credit Monthly is subject to audit by the Audit Bureau of Circulations.

Automobile Paper

By Edmund D. Fisher

Vice-President, Bank of Detroit

AFTER the initial experience of the banking world with a few weak automobile manufacturers and dealers making and selling inferior cars, the credit of the industry became fairly well stabilized. Credit assumed certain phases, however, which grew out of the initial experience as well as from the great success of a number of automobile companies. Banks have been rather cautious about unsecured automobile paper; but the public has always been quick to subscribe to the capital of new companies, that is, companies to be managed by men of high-grade technical ability. Successful companies, however, have not had to be heavy borrowers at the banks, as the demand for cars has made it possible to sell most of their product for cash, leaving the burden of borrowing to the distributors.

So far as the manufacturer is concerned, his credit lines are necessarily based on financial relations with which all are familiar. The banks, however, necessarily must watch the volume in his sales, the quality of the car, and have in mind the as yet unreached point of production and saturation.

FINANCING THE DISTRIBUTOR

Under the present practice the financing of the distributor is done either directly by the bank or by financing companies that have been organized for the purpose. The banks necessarily deal only with responsible people, but if the volume of business is large feel it wise to take security.

Advances are made during the non-selling periods of the year on a reasonable number of automobiles or trucks, which are held in storage, either actually in a warehouse or under some escrow agreement in the custody of the dealer. Advances of this kind should of course be on such a conservative basis that in an emergency the automobile or truck could easily be sold to cover the debt. In this respect much depends upon the character of the product of the manufacture and its popularity with the purchasing public. The banks also advance money on bill of lading drafts with a margin of 20 per cent. and make advances along usual credit lines upon two-name paper.

The volume of purchasers' paper, however, has been so great, owing to the popularity of the automobile, that the banks have not been willing

to take as great a volume of it as the trade requires. There has been organized, therefore, a considerable number of fairly strong financing corporations, who virtually give a third name to the paper. Their financing takes the form of the sale of so-called self-liquidating bonds, ranging in periods from sixty days to one year, and secured by the deposit with a trust company of series of maturing notes. The banks have readily bought these bonds, as they draw an attractive rate of interest,—from one-fourth to one per cent. above the current rates of commercial paper, dependent of course upon the time involved and the condition of the money market.

Current offerings range as high as nine per cent. for one year paper, in comparison with the commercial paper rate of eight per cent. for six months paper. The value of the financing corporation is that it specializes in analyzing very carefully this type of credit risks. The financing company not only satisfies itself of the responsibility of the distributor, but frequently compels the guarantee of the manufacturer. The purchasers' standing and record are very carefully investigated and control is assumed of the various forms of insurance. Some of the further elements of the investigation are the permanence of the purchaser's residence and employment as well as his reasonable ability to pay the successive maturing notes. Thus the payment of the monthly installments is studied in relation to the monthly income. In the case of financing of trucks and tractors, the credit rating of the individual or concern is, of course, an important element, but the wisdom of the purchase also becomes a factor based upon a reasonable earning power.

IS YOUR OWN CAR NON-ESSENTIAL

There has recently been a tendency to characterize the automobile as non-essential, but the sober second thought in this respect is causing a reaction. Each individual member of a bank board would like to see a curtailment in the number of automobiles, so long as he is not individually affected.

It would certainly seem that the automobile truck and tractor are now essential factors in our social and financial life and that the credit relations of their manufacture and sale are fairly well stabilized.

Aircraft—The New Element in Transportation

Contributed by the Manufacturers Aircraft Association

SPEED in transportation is essential to economic development. Goods in transit practically do not exist in an economic sense. A carload of wheat, as long as it remains in transit, cannot lower the high cost of living. In fact, while it remains in transit, the charges for interest and depreciation that must be added for each day become a direct charge and increase the high cost of living. Transportation men, of course, understand and give consideration to these problems. It is doubtful, however, if the average American in developing his tendency to "step lively" has been conscious of being guided or controlled by an economic law. Pioneers become familiar with many fundamental principles without knowing it; and it is fair to presume that the necessities of our situation involving the need of transporting our raw materials great distances have made a tremendous impression upon the minds of all of our people and contributed to our national tendency to speed.

We are building aircraft in this country today so safe and capable that it is difficult to estimate the extent to which the flying machine will be used for both passenger and parcel carrying. It is believed by those in the industry that it will be used as much as it is needed; in other words, as necessity requires. And judging from the present congestion of all kinds of traffic—with no sign of relief—this country requires new transport facilities.

The idea of transporting ourselves and belongings through the sky is so attractive and alluring that it is not necessary to sell the idea itself, but rather to prove that it can be done regularly and profitably. That is just what American aircraft manufacturers have sought to prove ever since the end of the war left them holding the bag. Our aircraft factories covered wide areas, were thoroughly equipped for quantity production and in fact and as a matter of official record produced more than 15,000 military airplanes. Yet the Armistice automatically put a stop to this production.

It halted production because there was no longer need for military planes in quantity, and commercial machines had not been introduced to the American public. European governments, however, during the strug-

gle had been educating their peoples to accept commercial or peace-time aviation.

And thus we assert American manufacturers were left holding the bag in November, 1918. It seemed at first as though they could do but one of two things; either reorganize and invest much capital against the development of commercial planes or liquidate and sell their plants for furniture factories and the like. Instead of accepting either of these alternatives, the majority of the plane builders struck a happy compromise. They turned part of their factory space and personnel to making products for which there was a steady and paying demand and retained the balance of the plant for aircraft. While they were building phonograph cabinets, toys, wheelbarrows or perambulators in one part of the shop, they devoted the rest of the space to machines built for commerce. They hoped the public would ride in these airplanes, because they were able to eliminate the excessive vibration due to extreme speed and elements of maneuverability necessary in aerial combat. They constructed, instead, planes of inherent stability, wider cruising range, more economic in the use of fuel and possessing suitable accommodations for passenger and freight carrying—in fact, machines with the thrill and danger eliminated, yet having the luxurious and comfort-producing qualities of the modern limousine or Pullman car.

ACTUAL ACCOMPLISHMENTS

A passenger carrying company operating out of New York has issued a sworn statement to the effect that in June, this year, it carried 407 passengers notwithstanding that during the month there were sixteen days of rain. The passengers were carried an average of 52 miles, for a total mileage of 21,164, without accident.

"The Aerial Mail must fly!" That has been the slogan of the United States mail pilots who, through rain and shine transported during the last nineteen and a half months of operations, twenty-two million letters.

"How soon will the railway mail coach become a thing of the past and all first class mail be carried in swift airplanes?" asks the Washington correspondent of a New York news service introducing the report of the

Postoffice Department. "The cost of the service during the period above stated was 84 cents a mile, which is so reasonable that the airplane postage rate has been reduced from 6 cents an ounce to the ordinary postage rate."

"The economy and reliability of the service," he adds, "was a surprise to even those who had faith in the experiment. Between Cleveland and Chicago, for example, air mail pilots made 205 consecutive flights of 325 miles, non-stop, without a single forced landing. They drove their planes through sleet into the teeth of blizzard gales. They ploughed through white fog and gray mist over Lake Erie with their loads of mail packed in sacks along the fuselage of the husky planes.

"So successful was the service between New York and Chicago, with delivery completed in 9 hours and 30 minutes against 24 hours and 30 minutes required by the fastest trains, that the Postoffice Department proceeded with the mapping of other lines and is now calling for bids for the carrying of mail by air."

Here is the New York Evening Sun's description of a flight made by a large passenger flying boat now in regular passenger carrying service (June 28, 1920):

"Records for speed and distance in the Western Hemisphere for aircraft carrying fourteen passengers or more were broken last night by a luxurious flying boat which carried its pilot, a mechanic, and twelve passengers between Atlantic City and New York. The boat covered ninety miles in sixty-five minutes. Brilliantly lighted, the craft with its two cabins of passengers comfortably seated in lounging chairs and on a sofa, moved majestically through the night, and gave a thrill to all who saw it. Moving with great smoothness the flying vessel was comparable to a giant liner steaming up the bay at night. Equipped with two Liberty motors, the sparks from her exhaust traveled far behind the stern of the fast moving craft."

The reporting of the International Yacht races by wireless from the air in July, 1920, is one of the most recent applications of flying to modern business.

Fourteen New York financiers and professional men commuted from the city to their estates in Southampton, Long Island, 100 miles distant, all in one flying machine. When asked by a reporter what they thought of making it a permanent service, they replied, individually and collectively:

Can Aviation Solve the Transportation Problem

By J. S. Green, Late of Technical Section of the Air Service, U. S. A.

ALTHOUGH transportation by air will inevitably become an immensely important part of the transportation system, the present acute problems cannot be met by air transportation in its present development. This particular commercial struggle will be over before we can get our airplanes "on the fighting line." Before it can be considered seriously, it must have the confidence and support of the general public. To earn this support, there must be consistent performance with a large factor of safety.

Such performance depends upon several considerations:

(1) *Reliable Navigation.* — The compass is virtually useless in bad weather because of the shifting direction of air currents at various altitudes. Above the clouds a pilot cannot determine his drift due to cross winds, and cannot depend upon his

compass to reach his destination with the certainty necessary for regular commercial requirements. Direction indication by radio will make it possible to fly to a given wireless station regardless of clouds and winds. Such equipment on a string of landing fields would make constant communication with the pilot possible en route, and would warn him of dangerous weather conditions ahead.

(2) *Type of Airplane.* — Commercially a single motor airplane is almost useless. The experience of the past year, in attempting to use airplanes designed for military purposes, where everything is subordinated to speed, maneuverability or altitude, has proved this point. When the single power plant fails there is but one thing to do, no matter how rough the country may be, and that is to come down. And forced landings, especially from low altitudes, are usually dangerous.

(3) *Mechanical tests.* — Exhaustive testing of the structural strength of new models, before actual flight, is essential. The "sand test" should be compulsory. In the sand test the airplane is inverted and the supporting surfaces are loaded with measured units of sand in bags until the estimated strength is reached. Weaknesses of construction are thus disclosed and correction made before costly crashes occur.

(4) *Pilots.* — The selection and supervision of pilots could well be patterned after the practice of the railroad companies as regards their locomotive engineers.

The attitude of the insurance companies on airplane risks will have much to do with the orderly and solid development of air transportation. The insurance companies are already developing specialists in air risks and can be counted on to aid in the conservative development of air traffic.

Aircraft—the New Element in Transportation

(Continued from previous page)

"Great, if it doesn't cost too much."

The answer to that question is offered by comparative figures. Commenting on the increase in cost of all kinds of transportation, more particularly by rail, a financial writer says:

"The freight increase alone, exclusive of the estimated addition for wage increase, will be at least one billion dollars. . . . So that the increase now granted is about equal to one-quarter of the total railroad earnings in 1917. No one can predict how the public will take such a stupendous increase in cost of transportation. It will be the largest increase ever made anywhere at a single step in the cost of any necessary commodity."

Yet if we speed up distribution of our coal and other necessities, increased freight rates might be endurable.

Airplane manufacturers, aerial navigation companies and others interested, assert that flying machines can transport passengers and small freight more cheaply than any other way and save time doing it, provided they are given sufficient patronage. In this the initial cost must be con-

sidered. But is the price of aircraft ranging anywhere from \$7,000 to \$12,000 for the smaller machines to \$25,000 to \$75,000 for the larger planes, more exorbitant than cost of railroad trains? Locomotives now cost about \$77,000, freight cars \$3,000 and Pullmans \$15,000. Then again, the airplane does not require a graded roadbed over its right of way. Nor does it require a rolling stock, rails, ties and thousands of personnel needed to keep the line in operating condition. We may conservatively state that compared to the service rendered aircraft are not prohibitively expensive either to build or operate.

TIME THE ESSENCE OF CREDIT

Within the last few generations we have seen invented in this country or established here one by one, the telegraph, telephone, radio telegraph and radio telephone. These devices have become part of our daily life because they speeded up communication and fulfilled in a degree the insatiable demand for saving time—time, the stuff that life is made of and the very essence of credit.

Now, due to the general congestion of all traffic by land and water business is compelled to wait many days—sometimes weeks and months—before shipments arrive at their

destination. We have visions of coal famines and food famines. There is no computing the loss which accrues annually in this fashion. Certainly it must run far into the millions.

The railroads, trolley lines and motor roads must continue to be the basis of our entire system of general communication. But the signs visible during the last decade—and the alarming strain to which the railroads were put during the war—convince the student of economics and transportation that we must find some means of adding to our facilities, if we expect to keep producer and consumer in economic contact.

Here enters the flying machine, both the heavier-than-air and the lighter-than-air types. The airplane and the dirigible offer means of physical communication in some instances almost as swift in practical results as the telegraph. They have proved their right to consideration. They are being constructed on scientific lines and have demonstrated by actual performances that they are practicable and reliable. In the hundreds of cases where aircraft has been employed by merchants and other private individuals for quick transportation, there has not been one word of criticism against the

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Foreign Interchange Bureau Plan Considered in Paris

International Chamber of Commerce Studying Our System with View to Adoption in Other Countries

By Frank R. Hamburger

Secretary, Detroit Credit Men's Association

JULY 11, on board S. S. "Kroonland," seventh day out. I am pumping "Foreign Interchange Bureau" continually. After the first three days out, the delegates held daily meetings. I represent not only the National Association of Credit Men, but the Detroit Board of Commerce. I am making the most of my opportunities of spreading propaganda on behalf of our Foreign Credit Interchange Bureau at several of these meetings, and I believe I shall be able to secure an adoption of a resolution by the International Chamber of Commerce providing for the appointment of a special committee to consider the organization and development of Foreign Credit Interchange Bureaus in other countries. The attitude of the delegates toward the proposition is most favorable.

This is a splendid group of big business men, and I am being developed mentally by being associated with them.

July 13, on board. Delegation has adopted my recommendation that the foreign credit interchange idea be made a subject for the Paris convention.

IMMIGRATION

July 14, on board. I am impressed with the significant fact that there are 900 foreigners listed as steerage passengers. About 40 per cent. of them are accompanied by their wives and children. I spoke to several of those who quite understood our language, and learned that a large number were bound to their home countries—Poland, Finland, Denmark, and many others—to take up permanent residence in their native lands. Others are going back for a short visit to return to the States again. Many of these emigrants have several thousands of dollars each in their possession, and appeared hopeful, happy and contented.

America cannot afford to lose these people, who are, I am told, emigrating back in large numbers, because

we have industrial need of them, and we should see our duty plainly towards them, urging and inducing them to remain; we should Americanize and assimilate them into our popula-

A Message from the United States on Co-operation

THE resolution recently passed by the International Chamber of Commerce in Paris, is significant in reflecting the marked success and accomplishment of the Foreign Credit Interchange Bureau, built up and operated by the National Association of Credit Men. Whether or not any such interchange of foreign credit information is possible today in European countries, the mere passing of the resolution indicates a need on the part of the credit grantors in foreign countries for closer co-operation and increased mutual confidence in the practical form of a standard, reciprocal and systematic exchange of ledger experience.

Mr. Hamburger, representing the National Association of Credit Men, has effectively carried the message of credit co-operation to the International Chamber of Commerce, as is shown in his informal report on this page. B. B. TREGOE, Sec'y.
Foreign Trade Dept.

tion and make them feel at home. I am sure, if given proper direction and help, they would become good loyal citizens. I fear in the past they have been exploited by false leaders for financial advantage, and those have not obtained a proper conception of American institutions and American ideals.

July 17. Docked at Antwerp. We were greeted by a welcoming committee of twenty-five, including the venerable Mr. Straus, president of the council, who bid us welcome.

After that all our delegation had an automobile spin around the city, stopping at the old historic Museum, Cathedral, Stadium, now being rebuilt (where the 1920 Olympic

Games will be held, beginning August 14th), and the Antwerp industrial exhibition.

July 18. The reception was repeated in a similar fashion in the city of Brussels by a like committee on the following day. We finished our sightseeing trip with a reception at the American Embassy, where we were cordially received by the United States Minister and Mrs. Whitlock. Leaving Brussels we arrived in Paris by special train in German built coaches (spoils of war).

ORGANIZATION CONVENTION

June 30. Today was the last day of the organization congress or convention of the International Chamber of Commerce which has been a most important gathering of notable business men. The subjects discussed were of large importance to the whole world, and for me it has been an unusual experience. N. B.—It is almost impossible to secure the service of an English-speaking stenographer in Paris at this time.

I was appointed a member of the Financial Group Committee, consisting of five members from each of the five foundation countries and prepared and presented a resolution providing for the appointment of a special committee of five delegates to consider, with the new Board of Directors, the advisability of establishing Foreign Credit Interchange Bureaus in foreign countries and to suggest plans, details and recommendations. Although it was necessary for this resolution to receive the approval of three different committees, it was adopted. During the discussion of the resolution, I had full opportunity to explain the system and the delegates were very much interested.

The proposition met with considerable opposition, but John H. Fahey, of Boston, and Willis H. Booth, vice-president of the Guaranty Trust Company, New York, supported me on the floor and the resolution was passed unanimously.

Refusal to Ship on Contract

For Want of Satisfaction as to Buyer's Credit

THE New Jersey Court of Errors and Appeals, in the case of the Corn Products Refining Co. vs. Anna B. Rasola, *et al.*, have rendered the opinion, that, where a vendor contracts to deliver goods and allows the buyer credit for a term agreed upon and by the same writing reserves the right (if the financial responsibility of the buyer becomes unsatisfactory to the seller) to withdraw the credit and demand cash payment or security before shipment of the goods, then the question of satisfaction as to the buyer's responsibility is to be settled by the seller before he parts with the goods. There must, however, be want of satisfaction with the buyer's financial responsibility and the refusal to ship without payment or security must be based upon that reason alone.

In this case the plaintiff entered into a written contract by the terms of which the plaintiff agreed to sell the defendant 500 cases of so-and-so to be delivered within sixty days after delivery of order. The terms of payment were thirty days net or two per cent discount for cash if payment were received by the seller within ten days from date of invoice, subject, however, to the following stipulations:

"If at any time before the shipment, the financial responsibility of the buyer becomes impaired or unsatisfactory to the seller, cash payment or satisfactory security may be required by the seller before shipment."

Under this agreement the plaintiff shipped to the defendant 200 of the cases contracted for, dating invoice

November 12, 1918. The defendant on the 26th day of November requested the delivery of the balance of the cases contracted for. The plaintiff refused to honor the request, and the defendant, claiming a breach of contract, refused to pay for the cases delivered. The plaintiff then brought suit and recovered a judgment for the delivered goods at the contract rate, the court directing the jury to return a verdict for the plaintiff.

The facts are that the plaintiff had been doing business for some time with the defendant, limiting the credit at \$3,000. To comply with the order of November 26th would have meant the extension of credit to about \$9,000.

It had been the practice of the defendant to discount bills within ten days to the extent of at least 75 per cent of the purchases, but no discount had been made in the present case when the request was made that the plaintiff ship the residue of the cases contracted for.

The trial court held, that under this contract the seller had a right to require cash payment or security before further shipments, if the financial responsibility of the buyer had become unsatisfactory to the seller, and that the undisputed facts showed a sufficient basis to sustain a want of satisfaction with the financial responsibility of the buyer to justify the seller in exercising the option reserved in the contract. The court states that the willingness of the seller to extend credit upon being satisfied with the financial responsibility of the buyer must to a large extent be committed to the judgment of the seller, and when the respon-

sibility of the buyer becomes unsatisfactory to the seller, the latter may require cash payment or satisfactory security before delivery of the goods contracted for that the vendor is entitled to the benefit of his contract, and if for any reason not pretended or unreal he becomes dissatisfied with the financial responsibility of the debtor he may invoke his contract and refused to ship until secured according to the terms of the contract.

The court added, that in the case before it, the testimony is interpreted that the refusal by the plaintiff to make further shipment was because the plaintiff had become dissatisfied with the financial responsibility of the buyer, and not for any other reason. It appears that the plaintiff was perfectly willing to ship the goods upon demand if secured; so that there was no jury question open on that subject; it was simply a case where the seller had become dissatisfied with the financial responsibility of the buyer.

The court stated that where a vendor delivers goods and allows the buyer credit for a term agreed upon and by the same writing reserves the right to withdraw the credit and demand cash payment or security before the shipment of the goods, if the financial responsibility of the buyer becomes unsatisfactory to the seller, the question of the satisfaction of the seller with the buyer's financial responsibility is to be settled before he parts with the goods; but there must be a real want of satisfaction with the buyer's financial responsibility, and the refusal to ship without payment or security must be based upon that reason alone.

Sales Accelerated by a Close Collection Policy

FRANK C. LETTS in a recent issue of "System" insists that the policy of close collection has been an undoubted factor in building up the sales of his two companies, the Western Grocery Company and National Grocer Company. The adoption of the policy has not only released a large amount of capital and through the saving in interest on bank loans added a tidy sum to the dividend funds but it is to be credited with the accelerating of sales.

A year ago, Mr. Letts says, his companies had reduced the outstanding accounts in most of their branches so that they were but 75 per cent of a month's sales, which compares with a figure nearer 150 per cent throughout the grocery trade. The average figure for 1918

for his two organizations was 77 per cent and the best of his branches boasted of 50 per cent as its record. The average for outstanding accounts for 1919 was 72 per cent of a month's business, and the best showing of any of his branches during the month of December, 1919, was 31 per cent. The four best branches made December showings of 31 per cent, 34 per cent, 37 per cent and 42 per cent respectively.

The manager of the branch which showed 37 per cent as his uncollected figure wrote Mr. Letts that the sales for December were \$256,205.30, outstanding \$96,238.80, yet in spite of this close collection policy, sales were increased for the month of December by \$114,000, an increase for the year by \$500,000.

The manager of the 31 per cent house, in a letter of similar tenor, speaking of the increase of sales, he admitted that a

good portion of the increase was due to increased prices and better general conditions. But he is firmly of the opinion that it was due also to the fact that the branch had been insisting on getting its money when due. This had resulted in customers collecting their money and becoming better merchants, with bills cleaned up as they went along, and readier to buy when the salesman called instead of trying to avoid him as they were inclined to when owing for past due bills.

The goal of this branch is to have no accounts on the books over thirty days, the December record showing only eleven such accounts. The help of the salesmen is solicited to help in reaching this goal.

Such a recitation of facts and experiences goes to show, concludes Mr. Letts, that prompt payments make for longer and stronger friendships.

Write English, Not Hybrid "Law English"

An Effective Letter Writer Tells Some of the
Methods He Uses

By *Fred B. Atwood*

Forman, Ford & Co., Minneapolis, Minn.

NO set rules can be laid down regarding collections. Each account must be treated on its merits. Generally speaking, collections should be close. When money is due it should be paid.

Lax collection methods by jobbers and manufacturers breed a reckless policy of credit granting by the retailers, resulting in many failures among them which are wrongly attributed to lack of capital. They also foster extravagance on the part of the ultimate buyer or consumer, which is one of the factors in the high cost of living.

It is hard to deal with a man who has little knowledge of merchandising, who does not know how to buy or sell or advertise, and we credit men should endeavor to help our customers to learn the correct principles underlying credit granting and to help them form right habits in collecting their accounts and paying their bills, for on forming right habits one's success depends. Your newly opened accounts should be watched closely for the first payments so that the start will be a good one. To neglect that which the debtor expects means teaching him to be a put-it-off, intending-to-do-it-tomorrow customer.

Always observe every date set for collection of a payment; seek to instill habit for payment in your debtor; instill habit into your own business and actions. By acquiring habits of regularity, you instill them in others.

Mr. Brown:

This is Wednesday the 17th.

You will remember that you promised us a check today for \$500.00. We expect it and made our plans accordingly.

Perhaps it will come in the morning, but if not yet on the way, please hurry it along.

With kind regards.

Make the debtor whose account is in your collection file know that his card moves up a notch every day; that his promises come before you at the proper date. Be fair. Cultivate that most precious of all charac-

teristics, human sympathy. Make customers appreciate the fact of the fairness and liberality of your house.

A certain customer had become delinquent and I was holding up orders, though giving such encouragement as I felt the case warranted. Among other things in a letter written April, 1916, I said:

We can appreciate your discouragement over the difficulties you have to contend with, but we believe in you and your grit to win. We are confident that some day you will be able to confirm our opinion that you are the right man for the job in hand.

We received your payment of \$20 for which we thank you. No doubt your business will pick up from now on and enable you to put your account with us in better shape. With kind regards and best wishes for success.

After a lapse of three years and four months we received this reply:

I suppose that when you penned the enclosed letter you never expected to see it again, but to me it was one letter in a thousand. I guess my spirits were almost fainting when I received it. However, I resolved to make good your prediction and show you that your kind words of confidence and encouragement were not in vain and though it has taken long to reach the goal, I have resolved to send your letter back together with a check to clean up the account. Enclosed find the check and accept our utmost thanks for past favors.

TALK FROM HIS SIDE

Most men want to pay their debts, therefore do not resort to threats until conditions demand them. The fellow who has been hardened and irritated by the ordinary give-me-my-money letter will have a pleasant surprise if you show him a personal understanding of his case—an interest that is not measured wholly by his trade and his dollars. Your letters should touch the common ground of the day's work and interests of your customers as well as your own. Take his view; talk from his side; show an understanding of his troubles and then arouse his spirit of fairness.

It is a fine thing to know one's customers personally and it is well to avail one's self of every opportunity to get acquainted with them. To

know a man gives an advantage in writing him.

In correspondence cultivate a natural style. We are inclined (from habit, I guess) to use too much law English—the style farthest removed from sane and logical English. What I mean by law English is that form and style of repetition or verbiage that you are familiar with in legal contracts and deeds. If "A" wishes to deed "B" a piece of land it is necessary that "A" have given, granted, bargained, sold, remised, released, conveyed and confirmed, and by these presents does grant, bargain, sell, remise, release, convey and confirm—in other words, sells "B."

USE NATURAL ENGLISH

Today much correspondence is a hybrid of law English. The cumbersome, meaningless and now useless terms of law English are retained in business letters. The salutation with its "Dear Sir:"; the opening paragraph with its "We have your favor of the 16th and in reply beg to state." The vapid, complimentary close, "Trusting that we will receive an early reply, we beg to remain, Yours very truly," are all relics of law English and the time when letters were events in a life, written with a quill pen, blotted with sand, sealed with sealing wax and sent at 25 cents apiece postage. That is what the English of much business correspondence is. What it should be is courteous, easy, expressive and forceful language, cordial, but not familiar.

Mr. Williams:

Please inform us why you refuse to pay our sight draft of \$76.00.

Our records show that this account was due on the 15th.

You have not asked for an extension nor reported that there was anything incorrect about it. If there is, let us know.

You'll not have to wait for an adjustment of a claim and you should not ask us to wait for a settlement without a good reason.

Be systematic, frequent and regular with requests for settlement from the time accounts mature, and until

you get your money or a new agreement has been reached as the time for payment. Be prompt to reply. When a customer makes promises, confirm them, that he may have your letter as a reminder.

Mr. Brown:

All right, Mr. Brown! we shall wait until the weather conditions are more favorable for threshing, so that you will be able first to collect some of your accounts.

We thank you for writing us.

You may defer remitting until November 1st.

Ask for remittances and replies for a specified time—"next Friday"; "by the first"; "the forepart of the coming week." Not "by return mail," "immediately," "at once," or "forthwith." Give the man a chance. A fellow never likes to have a whip cracked over his head.

Mr. Anderson:

In order to take care of our own bills in the way that we planned to do when our statement went out the first of this month, we are asking our customers to cover past due balances promptly with remittances.

The writer set a certain mark for collections this month, and is going to be in the "crack of the door" if many of our good customers are tardy. You owe \$..... and I shall depend upon you to help me.

Will you please send the \$..... to reach us next Tuesday?

Do not tamper with a customer's feelings. Do what you say you will do. Let him know and comprehend the policy and methods of your house by inference from their constant and regular operations. On the other hand, be quick to heed complaints and meet reasonable requests of customers in a fair way. Endeavor to draw from them their own fair offer in reference to settlements that cannot be made according to regular terms, and then demand that the customer live up to his own proposition.

Mr. Swanson:

You may rest assured, Mr. Swanson, that if you do the right thing by us, we are not going to embarrass you. Yes, it has been a hard winter but we feel just as you do, that when the crops this year pull through to a time of safety that the old-time Minnesota prosperity will return.

Would you like to give us your note for what you owe us, payable in sixty or ninety days? Perhaps you would like to make two notes, one-half payable in sixty days, and the other half in ninety days.

This will meet with your approval, we know, and we send you the notes to sign.

I said, do not tamper with a customer's feelings, but sometimes we find a man who apparently has none. Bob Fitzsimmons was asked once how to hit, and he said, "hit where the hand is." You are going to discontinue the account anyway. You have never yet stirred him to action and you wonder if you can. Try this:

Mr. Angel:

Sponges are of two kinds—Animal and Human. The animal sponge is a soft, porous, felt-like individual, born at the bottom of the Mediterranean and Caribbean Seas.

The human sponge has no such good recommendation. He is born in every soil and every climate; he is the unbusiness-like individual who won't answer letters, has no regard for a contract; who soaks up your profits by not paying his bills when due.

Quite likely, you have had experiences with human sponges, and we are sure that you do not like such experiences any better than we do.

By the way, you have been written to six times about your past due account with us, amounting to \$200.00, without a reply. We want a settlement. Don't be a sponge.

I call this a safety-valve letter—one that you write and read: makes you feel better but *never mail it*.

Injecting into a letter some true incident in connection with your day's work and making your letter ring in a personal way, I have found to bring good results. Like this:

Mr. Cooper:

Our general manager came in this morning and said, Mr. Atwood, I find you are short on your estimate for collections this month. Can't you speed up collections?

Of course, I said "Yes." For I was sure that you and some others would help me out. Can't I count on you for \$400? You need not send it today, but I would like it by next Monday morning.

Should a collection letter be long or short? That is one of those answerless questions like "How old is Ann?" As well ask, should a maiden be petite, or divinely tall?

That *Depends*. It depends on what there is to say and who says it. Avoid stock phrases. Be pleasant, courteous and interesting. All stereotyped words which are not used in talking should be avoided in letter writing. A letter is a communication written or printed—it is talking on paper. Make your letters natural communications. The test of a word or phrase or method of expression should be: "Is it what I should say to my customer if I were talking to him?"

COMMON FAULTS OF LETTERS

Common faults of collection letters are: saying too much; sending unsigned; marked "dictated but not read"; signed with a rubber stamp or by a stenographer.

I do not like printed forms. They tend to indicate that the firm has a good many delinquent or slow accounts. You should give the delinquent customer the impression that everybody else pays up promptly.

"Please" and "thanks" are good words to use in business—in correspondence or otherwise. These words soften the friction of every transaction like oil on a wheel. Like the dot on the *i*, though a small thing, it is missed when it is gone.

There are almost as many kinds of English written as there are people who write. Just as a man has a distinctive way of thinking, moving, walking—so each writer has similarly his manner of expressing himself in English.

Among words and phrases to be tabooed in letters are: Esteemed, valued, beg to advise, beg to remain, permit me, surprised, hoping, trusting, at an early date, at once, immediately, we take the liberty, we are at a loss to understand, we call your special attention, we venture to remind you. These are overworked words and phrases.

Don't make yourself the most prominent feature in your letter by overworking "I" and "we." Don't crowd the other fellow out entirely. Put it up to him—"You should do this or that," not "I" or "we" should like to have you.

DISCUSSING ACCOUNTS WITH

SALESMEN

How long a correspondence should be carried on with a delinquent customer depends upon the value of the account, your experience with the customer and his financial condition. It is more profitable many times for a salesman to collect an account for his house than to sell a good bill of goods. Salesmen should be taught to have a pride in keeping their territory as clean of delinquents as possible. I like to discuss accounts with salesmen at every available opportunity, and learn from them all I can about their customers, and then use my information in my collection letters. It is very valuable to know something about your customers besides their names.

The name itself does not mean anything. The meanest, miserliest cuss I ever met rejoiced in the misfit title of Charlie Goodfellow.

It works sometimes to use an "emphasis," show a contrast between cash and credit or the prompt payer and the slow one.

Mr. Brown:

Your remittance came this morning covering your six months' overdue account. Thank you for the payment. You state that other houses do not charge interest and you can see no reason why we should.

There is quite a contrast as to the value of two kinds of accounts—the prompt payer and the slow one, unless the slow payer pays for the extra time he takes. When both pay the same price, it is like giving avoirdupois weight to the long credit customer without interest and troy weight to the customer who pays promptly. It should be the reverse. Otherwise the prompt payer gets the worst of it as well as ourselves.

It is not right to give preferences, is it? You get from us the same prices that the

(Continued on page 33)

The Federal Reserve Banks and Collection of Checks

Attempt to Break Down the Present System

By William Gregg

BEFORE the establishment of the Federal Reserve System, the check collections of the country were made by reciprocal arrangements between commercial banks, and a number of serious evils grew out of this practice.

1. Charges for exchange were made by banks for paying and remitting for their own checks, these charges in many cases being highly exorbitant.

2. In attempts to find some avenue of approach to the paying bank which would avoid payment of exchange charge, checks were forwarded by extremely circuitous routes, with increased risk to those who had indorsed the checks and increased expense for handling.

3. The Federal and State laws at that time permitted the bank to count as reserve checks which it had merely forwarded for collection, with the result that a substantial portion of the reserves shown by our banks were purely fictitious, as the same check frequently served as reserve for several banks at once, when, as a matter of sound banking principle, it should not have counted as reserve for any bank until actually collected.

The Federal Reserve Act contained provisions requiring the Federal Reserve Banks to collect checks for their member banks, and active operations under this provision began in July, 1916, at which time the Federal Reserve par list included 14,656 banks. Gradually the par system has gained ground, until at the present time it numbers 27,000 banks, leaving only 3,000 of the banks of the country whose checks cannot as yet be collected at par. Thirty-four states are now entirely par, the exceptions being Wisconsin, Minnesota, Washington, Oregon, Arizona and ten states in the south. Thus, an enormous tax on commerce, due to exchange charges, indirect routing, etc., has been almost entirely eliminated, and our check collection system has been made to function along lines of real efficiency. During the first month of the new collection plan's operations, the twelve Federal Reserve Banks together handled an

average of 133,113 items, or \$59,301,696 daily. In the most recent month for which figures are available the daily average was 1,328,114 in number and \$567,180,320 in amount. All checks handled by a Federal Reserve Bank are sent either direct to the bank on which drawn or to another Federal Reserve Bank or branch, which in turn sends direct to the banks on which drawn, so that the routing is very direct.

This is a brief statement of the development of one of the three operating functions of the Federal Reserve Banks provided for in the original Federal Reserve Act, section 16 thereof, as written by R. M. Gidney of Buffalo. It is a function the value of which was promptly recognized by the business men of the country and quickly attracted the attention of the members of the National Association of Credit Men, giving them added reason for extending support to the passage of the Federal Reserve Act.

Unfortunately some of the banks, feeling that under the provisions of the par system of collecting checks their right to make a special collection charge or tax for service which they claimed was rendered was curtailed, have endeavored to secure an amendment to the Federal Reserve Act such as will give the banks the right to charge a collection fee on checks, and thus bring about a return to the chaotic and costly check collection conditions that existed prior to 1914. The first attempt was through the Hardwick amendment in 1917, and a second attempt is now being made in H. R. 12379, introduced by Representative Steagall of Alabama, and H. R. 12646 by Representative McFadden of Pennsylvania.

If one of these bills is enacted, the result will be that all the great work which has been done to get 27,000 banks of the country to come into the par system, will have been lost, and the savings to merchants and manufacturers of the country, estimated at many millions annually will go with it.

The theory of the collection charge, from the viewpoint of the banker, is

that it costs money to transfer the funds represented by the checks, but in practice the Federal Reserve system has relieved the individual banks of this cost, since it agrees to pay the cost of shipping currency in payment of checks, and thus has removed whatever justification might formerly have existed for exchange deduction. Therefore, in urging the retention of the par system, one is not advocating anything in the slightest degree unfair to the banks. And this being so, it is to the interest of business men, and credit men in particular, to do just as they did when combatting the Hardwick amendment—get as many messages as possible to their representatives at Washington and to members of the Banking and Currency Committee of the House of Representatives—Edward J. King of Illinois, J. C. Strong of Kansas and Otis Wingo of Arkansas.

The credit men in the various markets should enlist the interest of the country merchants, a great number of whom pay their creditors in other cities by remitting their own checks upon local banks. Formerly creditor merchants had to pay a charge for collecting such foreign checks, the aggregate annual cost of such collections being a large sum and forming a heavy and unnecessary tax upon business.

Three thousand country banks are hostile to the present system and are seeking to break it down. By repealing the provisions of the Federal Reserve Law, which made a free collection system possible, they demand the right in paying checks drawn on themselves by their own depositors in favor of creditors in other localities to deduct a charge, called exchange, although they incur no expense in paying such checks; and should they desire to ship currency in payment thereof the shipping charges are paid by the Federal Reserve Banks.

It is for credit men everywhere to act against a threatened injustice. It is wrong to force upon the entire business community a tax merely to enable a small minority of the country banks to continue a charge for services which the better system now in effect has made unnecessary.



PRESIDENT

W. F. H. Koelsch,
New Netherland Bank of New York,
New York, N. Y.

FIRST VICE-PRESIDENT

W. B. Cross,
F. A. Patrick Co.,
Duluth, Minn.

SECOND VICE-PRESIDENT

J. E. Norvell,
Norvell-Chambers Shoe Co.,
Huntington, W. Va.

SECRETARY-TREASURER

J. H. Tregoe,
New York, N. Y.

Only Two Ways to Reduce Inflation

IF our credits and currency are inflated, and it is generally agreed that such is the case, the correction can be expected to come in one of two ways—either out of control, (as it did this year in Japan), precipitately, in panic and sudden liquidation with consequent failures, or under control, guided by leaders in banking and business. The former method of correction would have been unavoidable if we had had no Federal Reserve System. The latter method is now possible if we are but willing to follow the leadership of the Federal Reserve, which has marked out a course to safety, charted according to the simplest and oldest principle of natural law. This principle is the one of "work and save," which cannot long be neglected without seriously upsetting our whole economic structure.

At the conclusion of the war, the people released suddenly from the restraints forced upon them by government appeal and social edict, rebounded, and overthrew the principle of "work and save" with a vengeance, and even now hardly recognize its importance. The Federal Board has pleaded, preached and warned it has issued what ought to serve as a danger signal to every man in business, the order to raise the discount rate. The meaning of this order is, to every thinking man, that the reserves of which the Federal Board is custodian, are in danger and must be used as sparingly as possible.

We must look at this action of the Federal Reserve Board not as it relates to our personal affairs, as an obstacle to that expansion of our

business which insistent demand for our products has made us feel, is the national trend, we must see it in its broader aspect and recognize that the way to safety lies in cooperating earnestly with the Federal Reserve Board in bringing about orderly deflation. Given this cooperation it will not take long to put our reserves beyond all possible danger, strong enough to meet all essential needs. Then business may again expand in an orderly manner, supported by all such credits as are essential to production, construction and transportation.

There was fostered during the war a tendency to look upon the Federal Reserve Banks as a day by day department of the banker, to be used at will by him in the expansion of his loans and deposits. Bankers as well as business men lost sight of that primary function of the Federal banks, to provide an impregnable reserve, ready for instant service in carrying us over hard places. Used too freely for the expansion of all sorts of business, and also for withholding goods from the market, those banks would be made impotent to carry us through a catastrophe, the possibility of which every man of reasonable experience knows is at all times present.

Let us try to get into the spirit of what our leading bankers are trying to do and help them to apply the safe method of correcting our inflated condition. Let us not, by resisting their efforts and publishing abroad our personal complaints bring doubt and suspicion upon them in the minds of those who cannot understand.

The Editor.

The Submerged 92 Per Cent.

How the Public Can be Protected When Capital and Labor Start a Fight

By Henry J. Allen, Governor of Kansas

Address at Annual Convention of National Association of Credit Men

IT has been the custom of men coming before the National Association of Credit Men to refer to you as the pulse of the nation's business. I think that is a very apt illustration. In fact sometimes I can conceive that you might become the varicose vein of the nation's business. You might even become an attack of National dyspepsia. Yet I can think of no more important class to this country's business at this hour than yours. And I can think of no more comfortable place for a credit man to be at this hour than away from home.

Of course, it is a serious time, no men realize that as deeply as you do. To a man engaged in the present difficult task which confronts those who occupy your relation to business, it must seem as though this is the most difficult period the world ever passed through commercially; and yet this isn't the first time men have had to do this.

You could not expect civilization to blow up like a bombshell, to see more than six million men buried in the most devastating war the world has ever witnessed, and then expect civilization to gravitate back into its old grooves without at least some manifestations of vibration in this, the country that has had so much to do and has suffered relatively so little.

I ran across some statistics the other day that gave me some comfort. A list of some thirty-three commodities, which were thought to be essential to human life after the Napoleonic Wars, showed that these thirty-three commodities had shown an increase after the war of 97 per cent. In thirty-seven commodities after the Civil War the increase in price during the period when we were struggling for readjustment was 110 per cent. Forty-two commodities of the present period stand confronting us today, with an increase of about 110 per cent. So every great war has been followed by this period of inflation, and men who have held their fingers at such times upon the directive forces of the nation have had the very com-

mercial daylights frightened out of them.

VOLPLANE OR CRASH?

The only thing confronting us today is whether we are going to volplane down or whether we are coming down more rapidly and more disastrously.

In the organized life of the commercial United States, I believe we are going to volplane down; I do not look for a crash. With all these high prices there is very little poverty. We all feel that we must be cautious. And out of that massed thinking we are going to reach a period of constructive caution; and in reaching it you credit managers will have to bear more of the burden than anybody else.

It is your business to tell us how much latitude we may have. I am very glad to note that in some respects you have begun already to function as a suppressing influence. You are now saying we had better not go any further in certain directions. In my state we now say that a man cannot borrow money to buy a pleasure car for his wife. He must need the car for some other purposes than as a luxury. I believe he will rapidly get upon a new basis. For if America has made any particular reputation in her lifetime it has been the reputation of keen business sense. The smartest thing we have ever done in America in business has been to keep honest.

A lot of you fellows are cheering yourselves at that, who kept honest because you knew it was the best policy; others of you were born that way. But there is nothing so distinctively American as the moral poise of American business, the fundamental character upon which it has been conditioned.

HERE TO TAKE CARE OF THE RED

Now a good many things menace us. Out of the vibrations of the war we seem to have caught diseases. The first thing I found when I got back from my tour in Europe was that the Red was in our midst, and that there was considerable danger from him. Though to every man who studied the situation the Red

was not dangerous, because we were here to take care of him. We made him think we were a little nervous about him; but that was only for the purpose of dramatizing the possibility of his becoming dangerous. But now with a year of constant attention to his case, nobody fears the Red any more, save now and then the possibility of some cowardly demonstration from an irresponsible individual.

I think the most important and menacing of all our troubles is that which is bound up in the industrial problem.

After the war we all thought our most important duty was to solve at once our future international relationships. But the subject which commands the most languid attention today is the subject of our international relations, and the subject which grips us is the realization of the importance of our domestic relations. This doesn't mean that we have decided to retire within ourselves and build a wall around the United States, but that we have made up our mind as to the type of internationalism we desire, and having put it away in the recesses of our mental distribution, we have decided to talk something else until we reach a point of administrative capacity and harmony where we will enter the sort of international society that will vitalize America, according to her judgment, in the future.

I believe that God Almighty means that we are to have international leadership, that we are to lead the world. But that leadership is coming when we are worthy, and that worthiness is not going to depend upon any particular sort of an international society which we may join. It is going to depend upon the success which we make of the problems of Government and of civilization here at home.

IMPORTANCE OF INDUSTRIAL RELATIONS

I think of all the things that have cost so much, the relation between the man who produces (or the great concern that produces) and the employees upon whom he depends, is

the most serious relationship today. The profiteering on the part of both capital and labor and the fights that have gone on between them have piled up the cost of this period into such billions as make even the cost of the war insignificant.

Take the single element of transportation: The switchmen's strike alone in this country cost us as much as it cost us to fight two years of war. I heard Mr. Gompers the other night explain that strike was an outlaw strike. *To my mind all strikes are outlaw strikes.*

The union labor leaders came to the striking switchmen and said, "We think you did not have the Divine Right to go out on this strike."

The whole problem has come now to one which we may discuss as being a problem of Government in behalf of the general population.

The industrial quarrel is the only private quarrel which the Government still allows to go on, we have settled every other private fight from duel to fist fighting, but in this fight between capital and labor statesmanship has not had yet the courage to attempt any settlement. Now this is going to be settled, if it is not, then *exit Democracy*. We know we are not ready for the exit. In time there will occur in this country an intelligent and massed protest from the general public; there is no wrong that can stand against such a protest.

We have reached a grim determination that it is time for the Government to take its responsibility for the protection of orderly society.

The National government and every State government has established public utility laws. We have patted ourselves on the back and said: "See what we have done; we have regulated transportation!" Oh, the brave speeches I have heard from those statesmen who have passed laws regulating transportation! But they never regulated more than one end of it, and even that in many instances was very badly done. So far as law can regulate them, we have regulated schedules and freight rates and passenger rates. We have attempted safety devices in the length of trains and all that sort of business, but we have never regulated even one end of transportation.

STATE REGULATION EXTENDED

In Kansas we have said we will not only regulate transportation but we will regulate the manufacture and distribution of food and of clothing and of fuel, and we will regulate it at both ends.

Civilization in Kansas is stratified in three groups. Probably 2½ per

cent represent manufacturing capital at the top, 5½ per cent represent organized labor at the bottom. There has been some discussion as to the relative position of the top and the bottom. But always there between were the 92 per cent representing us, a good natured protoplasmic mass, having no power save the good natured power of passive resistance. Then out in Kansas, when they planned to freeze us, this good natured mass began to heave and stir and take on vitalization and said, "We are going to take care of ourselves in this problem." And now labor leaders and academic socialists and parlor bolsheviks all over the country who write beautiful phrases for high-brow magazines are denying the right of the general public to manifest impatience and anger.

I went to the Supreme Court of my state and asked if they would give us the mines in order that we might operate them under state direction. I will never forget the look of astonishment upon the face of our fine Supreme Court head, a grand old man, who has served us for forty-two years. He looked at me (he had seen me grow up in Kansas), and said,

"Henry, on what sort of allegations do you want to take over this seventy million dollars worth of property?"

"Well," I said, "Judge, on whatever allegations you think would work."

The men out there have been good enough to give me credit for courage, but the first credit for courage in the operation of the mines under State direction belongs to the Supreme Court of Kansas, which had the courage to do a necessary thing which at the time was not a usual thing.

[Governor Allen told the dramatic story of how 11,000 volunteers mined the coal and broke the strike.]

These wonderful lads, as they worked from daylight to dark at their task, living in tents many of them, had never done any coal-mining before; but learned as they produced this coal a fundamental thing: That government still has the power to protect the people.

COURT OF INDUSTRIAL RELATIONS

Then the bill known as the law creating the Court of Industrial Relations was passed at the special session of the Legislature. While we were still carrying on the operations at Pittsburgh this Legislature was called into session, and every great hearted man who came there to the Legislature came, it seemed, with a certain association of ideas that became the strong thing in the Legisla-

ture, and which expressed itself in the passing of this law.

There is a reaction on just now in Kansas against organized labor. We can pass any law against organized labor we want to. We must be careful not to make a law which takes advantage of the present reaction. It must be just alike to labor and to capital and to the public.

One question that came up in Kansas at that hour was, whether they could repeat in the Kansas Legislature that which they had done in 1915 in the Congress of the United States.

I am very glad to say that when the law was finally passed it was passed with a full set of teeth, located both on the lower and the upper jaw. When the final vote came there were only seven votes against it in the lower House of the Legislature, where there are 140 members, and only four votes against it in the Senate, where there are forty members. It was practically unanimous.

The law is not an arbitration act. Nearly everything that has been done to stop the growing quarrel has been in the line of arbitration; and arbitration has not worked. Every country that has tried it, New Zealand, Australia, Canada, England, France, have all felt it isn't workable. You cannot make two men agree who have determined not to.

Into the Board of Arbitration there never comes any consideration for that party whose interest is chiefly at stake, the general public.

If arbitration fails, then what happens? Without any relationship whatsoever to the good of the public the two parties get out and start a civil war. Why do they start it? Because they say that they will stir the public up and the public will answer with a pressure which will settle the problem. That is why they call it economic pressure. The language is full of the nice phrases that have been chosen both by capital and labor to camouflage the deadly peril of the industrial strike, and we are so good-natured that we have let it go on.

This law, as I say, is not arbitration, it is adjudication. It is founded upon that same determination which society reached in its infancy when it discovered the need of the criminal law and the civil law.

There was a day when no man asked any question touching a fight except this, "Was it a fair fight?" Now, the question we ask is, "Where was the officer of the law?"

Society has gone forward, and we have come to a point in the growing menace to society where it becomes

necessary to have a new court, and the day will come rapidly from now on when states will establish this court, because it is logical and necessary.

FOUNDED ON POLICE POWER OF STATE

In Kansas there is no question as to the constitutionality of our court, because it is founded upon the plain declaration of our constitution that the government may establish such courts as are necessary from time to time for the maintenance of the public welfare. The court does several things. It says to the operator, to the packer, to the miller, to the miner, to the railroad man, "You shall operate your industry with reasonable continuity. You shall not lock out, and you shall not close down, you shall not cease to produce this essential product for the purpose of raising the price of the same to the public or affecting the question of wages. If you do, there is a penalty upon you, which reaches from \$5,000 down to \$1,000, from sixty days in jail up to a year in the penitentiary."

The Kansas law is not a price fixing law, it is not a wage fixing law, it is a law foundationed upon the police principle of the country. The power to fix minimum wages pending disputes is merely incidental to the application of the regulations of the police power in the interests of society.

Well, you say, we have taken away the divine right of a man to quit work.

We particularly avoided that. If men quit work with a design and conspiracy to close down an industry which is providing the public with a needed thing, that is a conspiracy punishable by penalties in the case of the men themselves, punishable, in the case of union officials, by the same fines or jail sentences as belong to operatives. But we have declared in the law that there shall be collective bargaining, and that contracts between capital and labor shall have the sanctification of law and the responsibility of law. Any man may quit work if he wishes, and any group of men may quit work. That is their God-given right. And any man who wants to continue to work may continue to work.

I think that the present operation of the law for the last three months has proven its efficiency. There has come a new spirit to the mining district in which this disturbance occurred. Last year up to this time in three months there had been seventy-

eight strikes in the mining district; up to this time there has been but one this year.

During the three years which preceded the passage of the Kansas law there were in that coal district 407 separate and distinct strikes. They gained for the miners in monetary advantages just \$891.41, lost them \$3,600,000 in wages. Last year alone it cost these poor chaps out of their slender purses \$157,000 for their organization. Surely, surely government can do better than that at a lower cost than that.

And so when they say to us, "You have taken away the only right we had, the right to strike," it is an adequate answer to say that in every honorable controversy we have given them the better weapon of the state government.

LABOR AND CAPITAL OBEY INDUSTRIAL RELATIONS COURT

We have made eleven decisions in the Kansas Court of Industrial Relations. All but one of them have been in favor of labor. Every decision that has been made has been obeyed by labor and capital.

Four cases have been brought by officers of the American Federation who, by their act in bringing those cases, have recognized that the court is better than the strike. Now the only thing we are meeting is this tomfoolery about government taking away the divine rights. Why, government is always doing that. If two of you enthusiastic gentlemen in this convention of credit men should tomorrow morning meet under my window and fall into altercation and scratch each other's faces and tear each other's clothes, I could get up and put you both in jail, not on account of what you were doing to each other, but because you woke me up.

Why, we have taken over the relations between the husband and the wife, we regulate them both. In the divinest relation in the world, that of the parent and the child, the State says, "You shall send this child to school, you shall buy books, we will tell you what books to buy, you shall buy clothing, you shall educate the child, and the State will hold you responsible."

My friends, there is only one thing in this country that is worth the consideration of us all so far as organization is concerned, and that is government. The finest definition of it I ever heard, and men are always trying to tell us what government is for, saying that it exists for liberty, freedom, for this and that and the other thing, was by John Adams,

who said, "The chief aim of government is justice."

This is the chief aim in all the relations of life. This is the chief aim in every controversy between capital and labor, and that being the chief aim there is only one foundation for it, only one place in which it may be granted with dignity and impartiality, only one place from which it may be effectively administered, and that is government.

If moral principles do not exist in American institutions or the extension of government to meet the emergency of the industrial strife, then American institutions are bound to fail, because the issue here is the issue of government. Bound up in it are the commercial issues, and the moral issues and all the responsible issues of life, and we who do not stand and say at this hour that no class shall live above the law are not true Americans.

Aircraft—the New Element in Transportation

(Concluded from page 17)

machine or the machine's performance.

Would it not relieve the congestion which exists among the railroads were even a small part of its high speed traffic diverted from the rails and sent by air? Or, put it another way, would not the railroads be better able to meet the urgent demands today were aircraft to carry a light fast traffic which cannot at present go by rail?

Generally speaking, the building of the railroads in this country on a big scale has stopped. Yet inadequate transportation is one of our great problems. Within the last generation, the motor truck, electric tram lines and oil pipe lines have tended to relieve the roads of part of their burden. The time has now come for aircraft to render similar service. Remember the air mail has operated continuously and successfully for twenty-two months; and by the first of the year will go through to San Francisco.

A new field of credit work—mercantile, banking, and investment—is thus being opened, in which the credit grantor will be called upon for intense study of new problems as well as the old ones that have always confronted credit managers.

Improved Transportation in Relation to Credit

(Continued from page 14)

exercised by the railroad company. The railroad company was able to make a most formidable case. It was properly financed, it paid its taxes, it ran on schedule, it gave an all year service, but especially was its presentation illuminating in respect to its earnings.

In order to show reason why its facilities should not be duplicated and its receipts decreased, the railroad company presented the startling fact that its average earnings per year were only \$8,845, although the equipment sold at junk value would have realized a sufficient sum of money which, if applied to 6 per cent. securities, would have earned the stockholders \$27,000 yearly, or three times as much as they made by operating.

The two Italians on their part had very little to offer, but that little, very convincing to the public they served, was service. They could do in two hours and twenty minutes what it took the railroad two days to do. They delivered from door to door. They connected farms and warehouses, and the great public of that section appealed in their interest and their prayer was granted.

In handing down the certificate the Commission ruled that the railroad in attempting to perform its function was using obsolete facilities and the statement was further made that the community welcomed the facilities of the two Italians in the interest of an improved service to the community's mining and agricultural and the live stock producers.

There should be no conflict. Each element should take its rightful work. We do not consider ourselves a rival of the railroad. What we want is to supplement it.

TERMINAL AND JUNCTION DELAYS

I have spoken of terminal delays, junction delays. They really are the crux of all our trouble. There are two million four hundred thousand freight cars in the United States averaging only twenty-five miles a day owing to congestion in junctions and terminals. Why, you could walk that far! The average per car in freight haulage is 32 tons where they are doing bulk haulage and only 7 tons in l.c.l. haulage! If we could double their speed or double their average haulage, we would perhaps have enough railroad facilities.

Great experiments in which the motor truck is being used to economize the time of freight cars are being worked out all over the country. I would like rapidly to show you two of them. In New York City a new kind of haulage is spring-

ing up. It taps the territory contiguous to New York for perhaps thirty or thirty-five miles. For example, at three o'clock in the afternoon a truck will take on a shipment from New Brunswick, N. J. It will carry it to New York by truck. The goods then go on a freight car, make an over-night ride to Boston. Arriving in Boston they are distributed by truck to the outlying territory 35 or 40 miles distant. Here is a proper allotment of facilities—the long distance for the railroad, the short distance for the truck. This method saves money, gives a much improved service, and above all moves freight and relieves congestion.

In Cincinnati all the railroads are bunched down on the flats. There are quite a number of them, because Cincinnati is a great gateway to the West and especially to the South. It used to take on an average of two days and fourteen hours to move freight cars between the two most remote of the several railroad stations at this point, a result due to the congestion of trackage between the several points. Now it is done in an average of fourteen minutes, an appreciable gain at a time when the public is eagerly waiting for product! It is done by a most simple device that did not involve a considerable investment. The whole investment, in fifteen motor trucks, is perhaps a hundred thousand dollars. They have bodies that are rapidly detachable from the chassis. When a freight train comes in and is broken up, a truck for each of the several stations takes its complement of freight and carries it over an uncongested section of the city.

What have the exponents of this plan done? They have saved for profitable long distance haulage sixty-six thousand box cars yearly. (I can imagine some credit men with their minds reverting to their own problems, would like to get hold of some of those sixty-six thousand box cars!) Not only that, they have reduced their tonnage costs for this haulage between the railroad stations, from a dollar and sixty cents per ton to eighty cents. A host of economies are accomplished. The material as moved on the truck doesn't have to be boxed and crated. It is a direct delivery. Teaming costs are largely eliminated. There is a lot of clerical work in the chasing up of bills of lading entirely eliminated by door to door shipments.

These are just a few typical instances of what the truck can do. Its application reaches everywhere. Look at food. In our country twenty-six million food producers are try-

ing to feed themselves, seventy-nine million fellow countrymen and a considerable proportion of the rest of the world. Seventy billion dollars is represented in the farm values and investments of the United States, and Senator Capper of Kansas says that twenty-one billion dollars yearly, at some portion of its transit, must go over the highways.

Now, whosoever can effect economy, even a minor economy, in respect to figures so enormous assures a great aggregate benefit to the entire country. The application of rural motor express is helping the farmer much. He carries for himself, he carries for his neighbors, he carries through companies organized for the purpose.

ADVANTAGES FOR THE FARMER

There are three great results achieved. In the first place, contiguity to railroad centers becomes unimportant. The farmer can go as far out as he wants and get cheaper and in many cases better land. Moreover, he can sell and profit by the sale of perishable products which under old conditions couldn't be moved with sufficient rapidity; and he reduces his time in delivering his product, leaving himself more time for productive labor on the farm.

If you ask, why doesn't that reflect in a decreased living cost, I say, "Give it time." There are six million, three hundred thousand farms in the United States and only 79,000 motor trucks in use on them. Suppose that only one-third of these farms could use trucks (I think that four-fifths is more likely), there would then be two million, one hundred thousand farms availing themselves of the superior convenience of the motor vehicle in moving food rapidly to the consumer. Just think that over when there comes before you the next time a question of credit involving the purchase of a truck by a farmer.

All raw material calls at some stage of its delivery for the help of the truck. The mines are all big users—carborundum, phosphate, manganese, salt, silver, sulphur, zinc. The truck moves building material, sand, gravel, stone, lumber. Cotton goes from the field to the gin, from the gin to the railroad station, and from the railroad station to the ultimate consumer by truck. Coal and gasoline are coming more and more to a retail distribution through motor trucks. And I am not attempting to discuss the trucking of manufactured articles.

If you believe that highway transportation has a relationship to production and that it is involved in the solution of credit problems, you automatically become a partisan of three remedial possibilities:

First, you will aid us in allotting the proper share of freight to the motor truck where it can most fittingly and efficiently carry it.

Secondly, you will help to protect this industry against unjust legislation. Forty-five Legislatures will meet next year and there will not be less than two thousand bills introduced with respect to the regulation of motor vehicles. It would be a great thing to let the legislators of our country know that the motor vehicle is an economic asset and not a liability.

Third, we must look at the question of roads. Already the country is aroused on that subject. Six hundred twenty-three million dollars have been allotted toward road building this year. But we need to co-ordinate all of that into a national system that will be scientifically applied, a system that will study road construction and sub-soil and will build at the minimum of cost the most permanent type of roads. These roads must lead somewhere and there must be a relationship between the roads of the different states so that there may be no interruption to traffic when the state line is reached.

We believe that in the Townsend Bill, now before the Senate of the United States, these ideals are best reached. This measure involves a considerable expenditure of money but the outlay is spread over five years. While economy is right and justified, there is a kind of mistaken economy that denies an investment aimed to prevent loss.

The high cost of living is no myth and neither is the mud road. The two are intimately related for we have the high authority of a congressional investigation that five hundred million dollars is wasted yearly in this country through inefficient facilities of communication.

It is the American habit to hail the man who dares. We immortalize a Columbus or a Magellan. We thrill at the deeds of a Shackleton or a Perry. We applaud a Hawker, a Reid or an Alcock. The Lewis-Clark Expedition, making its way to the Northwest to conquer that great territory for the Infant Republic, is one of the glories of our national annals. We call a man like James J. Hill the Empire Builder, but it isn't enough merely to praise these giants who have opened world opportunities.

Within the limit of our capacity we should strive to emulate them, and before the members of this Association there loom at this time two and three-quarter million miles of unexploited highways. You have the chance to be their developers and their pioneers. These rude roads cry out a need of man's contact with

man. They connect the palaces of the mighty with the huts of the lowly; they pass alike the plants where thousands toil and the tiny farmhouse where is but one producer; they offer in peaceful conquest an El Dorado to excite the envy of a Cortez or a Pizarro. No discovery, no invention, equals in potential good to humankind the creation of new transportation facilities.

When Fulton launched the Clermont on the Hudson, he little dreamed that he had found those worlds for which Alexander sighed in vain that he might conquer them. When Stephenson gave the world the locomotive he little knew that he had inaugurated an era of conquest to make the realm of a Napoleon seem negligible.

We who want a better, a wealthier, a juster and a happier country, can do nothing finer, more beneficial or more patriotic than to give our attention to better transportation.

A FORMULA

I offer you the formula of peaceful harmony: A merchant marine, revived and protected, shall carry our international, our coastwise and our inland water-way trade; a railroad system justly dealt with by legislation and permitted to charge properly remunerative rates shall girdle our country for distance bulk haulage; and the motor vehicle shall spread the benefits of an infinitely developed local service. The coöperation of the three offers the method by which sections may be joined, transportation facilitated, taxes reduced, the cost of the war more speedily paid, the great questions of credit solved through a more rapid and facile transportation and the products of our fruitful country more rapidly and more economically spread to all our people.

To accomplish this in the interest of all is to achieve more than practical considerations. It involves a lofty service to that democracy, the perpetuation and extension of which should be the highest aim of intelligent citizenship.

The Cash Discount

By George F. Cast
Cleveland Twist Drill Co.

THE term "cash discount" should better be designated as "cash premium," for that is in reality what the 1 or 2 per cent. off for ten-day payment is and the new term would help in overcoming some of the confusions and evils that make the cash discount one of the annoying questions in credit departments. The origin of the difficulty with the cash discount is that the taking of the premium is left to the honor and good faith of the buyer who does not

want to miss the chance to make an important additional profit and the result is that if the moneys are not available or banking facilities are insufficient to permit the sending of a check within the specified time, the buyer feels that he must take the premium nevertheless and has been allowed to get the notion that these extra days will make no material difference.

The way to bring it home to the buyer is to point out that if he had taken merchandise from out of the shipment and then claimed shortage the principle would not have been different from his having taken a certain portion of the invoice after the expiration of the time within which the premium was to be allowed. It is hard to convince buyers that the result of the abuse is injurious but credit men generally now recognize that the continuance of the abuse leads to demoralization. The feeling is general that unless the abuse is corrected and buyers and sellers of merchandise defend the exact interpretation of the cash discount system, treating it as it truly is—a premium for performing a service—there will be great difficulty in keeping the cash premium as a feature of our commerce.

Until recently the American business man has given far too little attention to terms except to use them in competition, but the far-sighted business man will never resort to this form of competition. He will see that terms of sale should not be used to attract trade, realizing that the moment that concerns get to bidding against one another on the basis of liberal terms offered, a new and serious credit danger is imposed.

The Name of Renwick Shall Not Be Tarnished!

THE CREDIT MONTHLY is indebted to W. L. Ignatius, manager of the Northern Montana Association of Credit Men, for the following letter:

"Dear Sir: I received a communication from you today stating you had a bill from the Bowler Tea Co. against a person by name of A. Renwick. My name in full is Samuel Herbert Renwick and as far as I know I am the only Renwick in this place at present. If I owe Bowler or any one else in Great Falls one cent I am not aware of the fact. However, you seem to need this money very badly and I have decided to donate you one dollar. Your bill is 96 cents. Keep the change. This check may keep you out of bankruptcy and it will certainly not injure me a great deal.

(Signed) S. H. RENWICK."

Big Show Put on in Portland

St. Joseph Credit Men Work for Insurance

By J. K. Drake

IN the conduct of the various committees of a local credit men's association there is a great opportunity for the exercise of initiative. No two chairmen carry on their work in precisely the same way, yet it helps a chairman to know how others in corresponding committees are approaching their work.

There is a tradition with the Portland Association of Credit Men, that its fire insurance and prevention committee be under the charge of one of its most active and thoroughly tried members and that the work of this department should stand out and speak for itself whatever other committees might do. Last year this committee was in charge of L. A. West of J. McI. Wood & Company, Portland, Oregon, and the program of activities adopted and carried through during the year is interesting.

It began with Fire Prevention Week in September in the enthusiastic observance of which the Portland association's committee was most active, and culminated in Fire Prevention Day with the largest fire prevention parade ever presented in Portland. The fire department did its utmost to make a success of the day, and the boy scouts did their part with that earnestness that can always be expected of them. Much emphasis was laid on the part that the boys can play in preventing fires.

FIRE PREVENTION

Mr. West's committee also was active in organizing at Portland a local chapter of the National Fire Protection Association, intended for the dissemination of expert knowledge in building construction and equipment and in the prevention of fires. The committee also kept constantly before the association and the public the principles of fire prevention by lec-

tures at the public schools and before the boy scouts, all of which led up to a remarkably successful clean-up campaign in which the fire marshal and his corps of able assistants cordially coöperated. For this campaign the city was divided into twelve districts and each district was assigned to one of the civic leagues or clubs whose duty it was to appoint committees to organize the work in their respective districts and to interest local clubs and community organizations. The captains of the fire stations made surveys of their inspection districts, locating and listing all places requiring attention and naming places where rubbish could be safely burned. This information was turned over to the district committees.

CLEAN-UP CAMPAIGN

All members of the department donated one full day's work to the clean-up campaign, distributing thousands of circulars in the homes of the city calling upon householders for assistance in the clean-up. A part holiday was granted the school children who, after being assembled to hear a talk on fire prevention and clean-up, were sent home to do their part in and around their own premises; then to report at the fire stations with hoes, shovels and rakes. From two to four troops of boy scouts were detailed to each fire station, bringing with them the necessary tools with which to work.

The school children and scouts were formed into squads and headed by firemen, marched to the vacant lots and unsightly places for the actual clean-up work. Rubbish was burned or buried or placed on the curb to be hauled away by the street cleaning department. Prizes were given at each fire station to the boys taking the most interest and doing the best work. These prizes were donated by local merchants and theater owners.

The campaign was given much publicity. Four minute speakers spoke in high schools, theaters and

THE CREDIT MONTHLY

other public places, and slides shown in the picture houses, all concentrating their efforts on the same subject, the importance of clean-up day.

At a junk sale of the material gathered in on clean-up day \$5,000 cash was realized.

ACTIVITY IN ST. JOSEPH

Hardly less than in Portland is the interest in fire prevention taken by members of the St. Joseph Association of Credit Men. This interest takes a most practical turn as shown by the report of the insurance committee of that organization issued by its chairman, Fred L. Hanush, of the Battreall Shoe Co. It shows that the committee gave attention during the year to the city's fire alarm system, to a wider use of sprinkler systems and to the apportionment in the city's budget to the needs of the fire department.

A special study was made to ascertain the cost of installing a fire alarm system adapted to St. Joseph's requirements. The committee urged upon the mayor the filling at once of any vacancies on the code committee so that a suitable building code might be speedily completed. It took up the matter of differences between the National Board of Fire Underwriters and the St. Joseph Water Company regarding the size of the sprinkler system connections, its purpose being to harmonize the contentions of the two interests with a view to encouraging further sprinkler equipment. It opposed successfully a \$30,000 cut in the apportionment to the fire department which would have necessitated a reduction in the city's fire forces and the closing of several stations. In this connection it showed the City Council that if there were this reduction of fire forces, there would be a 6 per cent. increase in the yearly premium tax of the city which would amount to \$30,000, so that the amount saved by the city would be at the expense of its citizens plus a large increase in the conflagration hazard. The committee defended successfully before the council the investment value of adequate fire protection, and insisted that the fact that St. Joseph never had had a conflagration was no reason to presume that she would always be spared.

The work of this Association committee has been so intelligently conducted for several years that St. Joseph is now enjoying a greatly reduced fire waste and low loss ratio.

These facts surely present a sufficient reason for the appointment of a committee on fire insurance and protection by every local credit men's association, and indicate that the organization's ablest men can well employ their energies in this important work.

Your Assistant Will Benefit

the department and himself by having his own copy of this professional magazine to take home and study.

The CREDIT Monthly, 41 Park Row, New York: Send the Monthly for a year to the following address:

.....
and bill, at \$3.00, to

Concern

Individual

Address

System Needed in Even the Smallest Credit Department

By JACK REES

E. H. Sell & Co., Columbus, Ohio

A FAVORITE pastime with many men, among whom, strangely enough, are to be found credit men, is to find fault with office systems. They call it "red tape" and they have no patience with "red tape." They look upon men who talk system as stressing non-essentials over essentials and methods over results. Their feeling is that system inevitably means a trip around Robinhood's barn to reach a spot rather than by direct route. Yet we know that it has become possible to conduct business in a big way over the desk simply through the adoption of the ways of system.

It is to be noted, however, that in few cases can a ready-made system be imposed upon a business indiscriminately. In truth every man ought to be his own "system man," possessed of the ability to distinguish between the helpful and useless in a given system or method as applied to his own business. In other words, the magnitude of this problem of introducing system into the operations of an office depends upon the credit man's powers. If he has not within himself the power of discernment, cannot see a process through in its whole train from start to finish, the fault is with him and not with system as such.

CARDS INSTEAD OF INQUIRY LETTERS

The forms in which a card system, for instance, can be used are limitless, and we should never make the mistake of thinking a card system is valueless just because some particular form of card does not meet our requirements. The card system can be used in so many ways that it is an almost living, breathing thing. If the system came only in one form for all kinds of business it would be a dead thing. Card systems can even be used in getting information from another concern because it can be sent to that concern to be filled out and returned, and when you get it back you need only place the card in a drawer in its proper alphabetical position. It saves the firm to whom it was sent the writing of a letter and gives you the information you want in compact form.

In following up collections nothing can be better than the card system. Here the card is indexed alphabetically and there are figures running from 1 to 31 across the top of the card. The card is marked with a metal tab indicating the date of follow-up. Some of the collection follow-up records provide in addition

THE NATIONAL COMMERCIAL BANK AND TRUST COMPANY OF ALBANY

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The National Commercial Bank—Union Trust Company

General Banking and Trust Business

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GARDNER B. PERRY, Vice-Pres. HERBERT J. KNEIP, Asst. Cashier
LEO K. FOX, Asst. Cashier
CHAS. M. MCGARVEY, Trust Officer

to numbers at the top of the card a space for what the collector says, which may be interesting or not, according to the way one works the card.

I have seen the thin tissue reports issued by mercantile agencies filed with regular correspondence in spite of the fact that the tissue upon which the report is written ill adapts it to going into the regular files. The "commercial report folder" solves the problem for fastened to the inside is a number of report sheets. There is another reason why the mercantile agency report should not go into the regular files, for it is to be remembered that these reports contain information often of a private and confidential character which should not be accessible to office employees but to the credit man and his department only.

The commercial report folder is one described as follows: Made of manila of durable quality, 11½x8 inches high and preserves the appearance of a record card. On the face is a form adapting it for use for summarizing or setting down essential features of the account for ready reference. It shows the name and address of the firm, the salesman who calls, Dun's and Bradstreet's rating, the essential features of the account such as date, open terms, credit line, method of payment, and any special remittances. These commercial reports further are filed alphabetically in a drawer of the right size. They are indexed alphabetically by name of customer and geographically by towns, or may be arranged by number. No credit department is too small to avail itself of such credit system in every detail.

A PLAN OF CLASSIFIED WORK

System is fundamentally a plan of classified work and the starting point of all systems is the desk, which is

the market place of the world. Matters that are handled at the desk, such as letters and papers of all sorts, must be taken care of according to some plan of classification or genuine system can never be a realized fact. What is classification? That is the important question. It is easy to devise a plan of classification but hard to get it to work in all cases. Although desk trays are likely to receive certain kinds of papers, such as incoming, order, closed or pending, the system will not work without supervision, for someone must determine what is incoming, what is an order and what is closed.

It is all a good deal like the tariff; someone has to interpret it. There was a dispute recently between the collector of customs of the Port of New York and a firm of Japanese importers about the classification of frog skins. Custom officials held that the skins were dutiable as leather and the Japanese insisted that they should be classified as fish skins. The Treasury Department decided that frog legs were dressed poultry and consequently frog skins were chicken feathers and should pay duty as such. As a usual thing there is not this difficulty with papers, for orders, for instance, can be recognized a mile off, but a man's desk is bound to get into the file system and a simple arrangement of desk trays will help systematize the most disorderly man that ever was, helping him to live up to what is expected of him.

The true definition of system is a logical method which has for its foundation simplicity and directness. You can lay down all the rules you like for systematizing, but if a man does not strike out for himself and try to put his own individuality into a system, it will not be satisfactory and will be a constant cause of irritation.

Credit Men! These advertisers are buying space in YOUR magazine.

New Publications

CONCERNING TRUST AND WILLS. Old Colony Trust Co., Boston. 48 pp.

Read chapters suggesting proper manner of conserving assets, trust funds and insurance and their management in the interest of fiduciaries and owners; to show the advantages of the trust company over the individual as fiduciary; the duties of the trust department and the cost of trust service.

DANCE OF INDUSTRIAL DEATH. By J. H. Tregoe, Secretary-Treasurer of National Assoc. of Credit Men. Published by Bankers Trust Co., Indianapolis. 4 pp.

This leaflet is a concise résumé of the industrial situation today, and its underlying causes. The reaction from the self-restraint and sacrifices of the war evidences itself in the extravagance now rampant throughout the country, says the author. This situation must cease. Economic disaster can be averted only by thrift. It is up to the business men who are most vitally interested in the stabilization of the productive process to go to the front in this drive.

THE EMOTIONAL UNREST, ITS CAUSES AND TREATMENT. By Stewart Paton, M. D., Princeton, N. J. 11 pp.

Reprinted from medical record and technical study of the temperamental aspects of the social life of the peoples of the various nations since the close of the war. The reasons for disorganization and the shifting of ideals.

FACTS PLUS: Foresight is the Keystone of Success. American Eagle Fire Insurance Co., N. Y. 6 pp.

Mercantile and manufacturing properties, according to this folder, are usually more adequately insured than public buildings, but "there is no question but that present day values are insufficiently protected in thousands of cases." The home office of the American Eagle was built in 1912 at a cost of a little less than \$2,400,000. The president of the construction company that built it recently told the insurance company president that he would not today take a contract to construct the same building for \$4,000,000. In other words, to rebuild would cost more than 70 per cent above the original investment.

THE FAR EAST. National Shawmut Bank, Boston. 17 pp.

This pamphlet brings out convincingly that the Far East has become more and more necessary as a source of raw material, as a market for our goods and as a field for investment. The growth of the Far East trade is analyzed and the facilities recently formed in America to take advantage of these opportunities discussed.

PAPER WORK IN EXPORT TRADE. Accompanied by portfolio of illustrative documents. By Guy Edward Snider of the College of the City of New York, Warren M. Maule of the Federal Export Corporation, and Roy S. MacElwee of the Bureau of Foreign and Domestic Commerce. 182 pp.

In the past teachers and students of export trade have had to beg documents in export trade from steamship and insurance companies and banks. The difficulty of thus acquiring complete sets of documents for practice is apparent. The Bureau of Foreign and Domestic Commerce through its new publication, "Paper Work in Export Trade," has removed this difficulty by providing students and teachers with several complete sets of export trade papers consisting of 29 documents a set.

These documents are accompanied by a text of 152 pages which explains their use. Students and instructors of export trade will find this material invaluable.

THE PORT OF UNLIMITED POSSIBILITIES. Philadelphia National Bank. 8 pp.

Treats Philadelphia port historically, shows its location and natural advantages, indicates its development during the war; points out the products created in Philadelphia which make the nucleus of large shipments; and describes the foreign trade carried on from Philadelphia direct.

PRESENT DAY SCANDINAVIA: Norway, Sweden and Denmark. Liberty National Bank, N. Y. Three 4 pp. pamphlets.

The Liberty National Bank includes in its banking facilities for trade with Scandinavia the services of its Foreign Service Bureau, which furnishes credit information relative to firms and trade in Scandinavia; aids exporters and importers in forming connections; and endeavors in general to promote trade between Scandinavia and the United States.

These pamphlets have something to say on the recent growth of business, the present situation and the possibility for American business in these countries.

THE PROBLEM OF CREDIT REGULATION AND CONTROL. W. G. D. Harding, Governor of Federal Reserve Board. 12 pp.

Treats the whole subject of expansion of credits since the conclusion of the war and the laws governing the Federal Reserve Banks with reference to various classes of investments.

RAILROAD SITUATION IN THE LIGHT OF NEW LEGISLATION. By A. M. Sakolski, The Equitable Trust Co. of N. Y. 4 pp.

In this address delivered before The Savings Banks Association of the State of N. Y., Mr. Sakolski says "the savings banks of the country have become possessed of approximately one billion of railroad securities, of which New York State holds more than one-third. It is a significant coincidence that the federal government as a result of the war time experiment in railroad operation, is likely to be interested in railroad securities to the same extent. According to a statement of former Director of Railroads, Mr. Walker D. Hines, the federal government owns \$354,000,000 of equipment trust certificates and about \$490,000,000 additional railroad debt. Further, it appears probable that most of the \$300,000,000 revolving fund provided by the new Transportation Act will be loaned to the railroads. Thus, the government at an early date will hold approximately \$1,100,000,000 of railroad securities. This represents the people's money, and so does the indebtedness of the railroads to the savings banks. As mutual creditors, the savings banks and the federal government should cooperate in the stabilization and improvement of railroad credit."

SIX RAILROAD BONDS. Kissel, Kinnelcutt & Co., N. Y. 4 pp.

This careful analysis and description of six seasoned railroad bonds is a contribution to the re-establishment of railroad credit. The market price of the bonds selected is (June 30) at least 30 points below their pre-war level and the actual earnings of these railroads are five times the interest charges on the bonds. These bonds have been for many years and still

are legal investments for savings banks and trust funds.

STATUS OF MARINE INSURANCE IN THE U. S. S. S. Huebner, Insurance expert to U. S. Shipping Board. 100 pp.

Considers economic importance of marine insurance, volume of insurance written, number and importance of marine insurance companies, extent of foreign control, operation of Marine Underwriters' Association, the making of rates, increased importance of marine insurance during the war.

TRANSIT INSURANCE. Continental Insurance Co. 4 pp.

A Leaflet setting out the importance of insuring against loss or damage to goods handled by railroad or truck.

USE AND OCCUPANCY IN INSURANCE. Mercantile Insurance Company. 4 pp.

Brings out the seriousness of business interruption and how vital to credit it is to provide a continuous income for a concern until such time as the plant can again be put in operation.

VISION IN BUSINESS. Address by Rollin P. Grant, Vice-Chairman of Board, Irving National Bank. 24 pp.

The speaker urged "the importance of including with our facts and figures a fair measure of the intangibles which are claiming such an important part in our national life." "Do we recognize vision in our everyday affairs, in our estimates of business values, in our business forecasts, and most of all, in our measurement of men?" "Is there a man in this audience" the Idaho Bankers Convention, "who, when he measures a business risk, whether in considering a new customer or an old, does not include with his definite facts and figures other consideration, favorable or unfavorable, liberal or otherwise, which when added to the mathematical conclusion based upon facts and figures, make the enterprise of the risk appear desirable or undesirable, good or bad."

Motor Truck Pamphlets National Automobile Chamber of Commerce

AIDING THE RAILROADS. 6 pp. A description of the achievements of the American Motor Freight Corporation organized 1917, which operates a fleet of Macks, Pierce Arrows and Packards.

THE CORRELATION OF HIGHWAY AND WATER TRANSPORT. By Peter G. Ten Eyck, National Rivers and Harbors Congress, Washington, D. C., 1919.

THE EVOLUTION OF TRANSPORTATION. 14 pp. A brief history of transportation in the U. S.; an argument for rural motor express.

FACTS AND FIGURES OF THE AUTOMOBILE INDUSTRY, 1920. Illus. 100 pp. A compilation of information from government and other sources for those within and outside of the motor industry.

MOTOR TRUCK AND RAILROAD FREIGHTING. By W. J. L. Banham, General Traffic Manager, Otis Elevator Co. 4 pp.

THE MOTOR TRUCK AS A SUPPLEMENT TO THE RAILROADS. By Frank T. Bently, Traffic Manager, Illinois Steel Co. and H. Lorenzen, General Supt., Hartman Furniture and Carpet Co. 18 pp.

A STATE ENDORSES THE RURAL MOTOR EXPRESS. 12 pp. In its report to Governor Smith, the Reconstruction Commission of the State recommends the establishment of an extensive system of rural motor truck routes throughout the State.

Write English, Not Hybrid "Law English"

(Concluded from page 22)

discounters does and you put an unjust burden on the business that you ask to carry you without interest. Furthermore, you put us in a position of being unfair with the fellow who pays when his bills are due.

You should readily understand the situation, and we believe you will, and that you will send us your check for the interest charge of \$15.00.

A customer may not pay promptly, and yet have the makings of a good merchant in him; he may be a misfit, a man without the commercial sense that is necessary to success in buying, selling and financing a business. Is the cause of his trouble something that can be corrected and educated out of him, or is the cause fundamental in himself?

Mr. Peters:

Your letter of yesterday indicates that you think we have no right to ask for a financial statement.

In a certain sense you must see that we are your partners and it is your duty to keep us posted.

A merchant's capital is the sum of his net available resources, plus his credit.

The giver of credit is a contributor of capital, and becomes, in a certain sense, a partner of the debtor, and, as such, has a perfect right to complete information of the debtor's condition at all times.

Will you please fill out the blank enclosed and return it? Then you will have our answer regarding an extension which you asked for.

Your request cannot be granted unless you do the right thing about giving us information.

There comes a time when forbearance is not a virtue. Don't let your customer find out that you are easy. It is remarkable how quickly some debtors will find out by comparison whom they may take advantage of.

Think carefully in advance what you want to say and then say it as briefly as possible.

Complete your appeal. But not with such a mass of verbiage as to bury completely the essential point—that you want a settlement of an overdue account.

One Way to Avoid Bad Checks

SPEAKING of the passing of bad checks, a prominent banker makes this suggestion: If the average merchant would instruct his clerks who have checks offered for cashing after banking hours to ask the parties giving them to state telephone and street numbers, they would probably be able to make certain whether the check could be safely cashed. The clerk would have a certain department call the telephone number or information at central might be consulted to see if the numbers and names were correctly given. A conversation with the resident at the proper telephone number

A Study of Railroad Bond Values

WE have made a careful analysis of several hundred long term high-grade railroad bonds listed on the New York Stock Exchange. Each bond has been tested from the standpoint of security, growth and character of territory served and ability of road to maintain its earnings even under adverse conditions and without Government aid.

We have selected six issues which seem to meet the most exacting requirements. All six bonds are legal for Savings Banks and Trust Funds in New York and other States.

We have prepared and will send upon request a summary of our analysis together with a comparison of market prices for 1920, 1913, 1910 and 1907. Ask for Analysis No. 11.

Kissel, Kinnicutt & Co.

14 Wall Street
New York

The Rookery
Chicago

would usually give information of value either for or against the party wishing to cash the check. Again, if the latter did not wish to wait long enough to permit the telephoning to be done, this could probably be construed as evidence that the cashing of the check is not safe. There are many checks, he adds, in amount too small to warrant going into the expense of prosecution, but these small bad checks are a dead loss to the merchant and in the aggregate may at the end of the year reach a considerable total.

A Standard American Letter of Credit

*Suggested by Marc M.
Michael*

Treasurer, Consolidated Steel Corporation

AN active member of the Foreign Credit Interchange Bureau of the National Association of Credit Men, Marc M. Michael, treasurer of the Consolidated Steel Corporation, New York, offers the following simplified form (here shown in reduced size) for a standard American letter of credit. He suggests that the National Foreign Trade Council appoint a committee to draft a complete set of forms caring for export and

import, revocable and irrevocable letters of credit, to secure for their use the approval of the foreign trade interests, and, when it will have become the uniform thought of those interested, to have the National Foreign Trade Council set its seal of approval on this method, and declare a date when it shall become operative.

CONFIRMED IRREVOCABLE EXPORT CREDIT

No. E1. \$.....

THE X Y NATIONAL BANK

of

500ANN STREET, NEW YORK CITY

Will Pay to

the sum of..... Dollars

for the Account of.....

Credit opened by.....

Upon the delivery of the following Documents:

.....() Copies

.....() Copies

.....() Copies

.....() Copies

.....() Copies

Covering Shipment of.....

If Presented on or before.....

This Credit is irrevocable except by agreement of all Parties in Interest.

THE FIRST NATIONAL BANK

.....Atty.

DEFINITIONS

1. Unless otherwise specifically stated Partial Shipments will be paid for under this credit.

2. If no expiry date is given in the Credit it will lapse one Year from date drawn.

3.

4.

5.

Credit Men! These advertisers are buying space in YOUR magazine.

Immediate Work Before the Interstate Commerce Commission

By R. Preston Shealey

Washington Representative of National Association of Credit Men

MANY and great are the transportation problems created by the Esch-Cummins bill, officially known as the Transportation Act of 1920, but they may be grouped, in a general way, under two separate general subdivisions, one, increased revenues, and the other, labor and wage conditions. The first of these general subdivisions and all questions pertaining thereto are by the act vested in the Interstate Commerce Commission, while as to the second, Section 304 of the Esch-Cummins Act, creates a railroad labor board; in this way, separate organizations being created for the two general problems.

The railroads of the country have, as is commonly known, petitioned for rate increases and testimony having been taken on these applications for increased rates, the Interstate Commerce Commission now has the matter before it for decision. While nothing is known definitely as to the date of a decision, it is, however, looked for about the 1st of August. Second only in importance to the rate increases and having a close relation thereto is the subject of car distribution. It is, of course, needless to go into details as to the handicaps on business caused by the limited facilities afforded at the present moment by transportation companies for shipment of commodities, but as an illustration of the difficulty that the Commission is having in even temporarily solving this problem is the fact that recently the Interstate Commerce Commission reopened for investigation and action its service order No. 7, issued on the 19th of June, which in substance related to the transportation of coal and directed that open-top cars should be used exclusively for the transportation of coal coming from the mines. Open-top cars have been used to a more or less considerable extent in the transportation of sand, gravel and some products of steel and other commodities, and this order of the 19th of June led to a strong protest from these industries, so that on Thursday, the 8th of July, the entire subject was reopened and hearings were held before the Commission on the 8th, 9th and 10th of July. It is expected that a decision will be rendered in this matter at almost any moment, as the subject is of the

greatest importance and must be decided promptly. In this connection, it is well to note, however, that permanent relief will have to be largely brought about by additional equipment, and as an illustration of the need of the railway companies for additional equipment may be cited a recent order from a small freight-carrying road only 550 miles long which has just recently ordered a thousand 120-ton steel coal cars. Of course additional equipment will have to be paid for, and as prices of labor and steel are high, this calls for increased revenue of the railroad companies, so that increased freight rates are inevitable.

Phases of the transportation problems now before the Interstate Commerce Commission of special interest to credit men are those created by section 209 of the Esch-Cummins Act, providing for a guaranteed income under certain conditions for a period of six months after the termination of Government control, which period will end for all carriers September 1st, 1920, and the creation and operation of the revolving loan fund of \$300,000,000, covered by Section 210 of the Act and as amended by the Sundry Civil Bill of June 5th, 1920. Under Section 209, about 760 of the railroads of the country have accepted its provisions, while about 35 to 40 did not avail themselves of the financial assistance guaranteed by this section of the Act.

THE REVOLVING FUND

The Interstate Commerce Commission has not yet prepared regulations for the loan from the revolving fund of \$300,000,000, and only two have been granted, but in one case, that of the Kansas City, Mexico & Orient Company, application was, after hearing by the Interstate Commerce Commission, denied, and this decision was predicated on a finding by the Commission that this railroad had not presented satisfactory evidence showing that the proposed loan by the United States was necessary to enable the applicant properly to meet the transportation needs of the public or that the prospective earning power of the applicant and the character and value of the security offered was such as to furnish a reasonable assurance of the applicant's ability to repay the loan. Should credit departments be asked to pass on equipment

sales to railroads who may find it necessary to make application for loans from this revolving fund, it may be advisable to familiarize themselves in a general way with the conditions under which such sale will be guaranteed. They are: "(a) why applicant is unable itself to finance the project, (b) what efforts applicant has made to do the work without Government aid, (c) how and to what extent the proposed additions and betterments will facilitate the movement of cars, (d) the plan and details of cost of the work proposed, and (e) the proportion of total cost which will be financed by the applicant."

It has been suggested by students of the transportation problem that unification and consolidation as provided in the Act may be of great value in furnishing adequate car facilities and certainly the express companies make this statement, since at the open hearing on the application for a consolidation of the American Express Company, Adams Express Company, Wells-Fargo & Company, and the Southern Express Company, on July 12th, to consolidate these four organizations into the American Railway Express or substantially continuing the organization during Government control, the spokesmen for these organizations made the statement that they would be compelled to go out of the domestic express business after the expiration of the six months' guarantee, if not allowed to continue the consolidation. Hearings on this subject are continuing and at the moment of writing very little opposition of a substantial character against this consolidation has been developed. In addition to petitions to avail themselves of the consolidation provisions of the Act, the American Railway Express Company has filed an application for increases in express rates and for reclassification of commodities. All arguments on the first petition will be heard on July 23rd by the Interstate Commerce Commission and the case will then be before the Commission for decision, while as to the reclassification petition, briefs are due from the various parties interested on August 7th, while closing arguments are expected to be made early in October so that a reclassification decision is not expected before sometime in the fall or early winter.

A TRANSPORTATION EXPERIMENT

Other provisions of the Esch-Cummins Act relate to abandonment and extension of lines as well as consolidations, but of great interest to credit men is that section of the Act now requiring the approval of the

Interstate Commerce Commission before securities can be issued by carriers doing an interstate business. Several of such applications have been granted, but it must be borne in mind in this connection that the certificate authorizing the issuance of securities shall not be construed to imply any guarantee of the application as to such securities on the part of the United States. Not much attention seemingly has been paid to that section of the Esch-Cummins bill which transferred to the Secretary of War our inland systems of navigation and turned over to the War Department the operation of the boats and equipment acquired for this purpose during the period of railroad control. Under date of July 10th, the Secretary of War issued an order turning over the operation and control of our inland water way equipment to the Chief of Engineers of the United States Army and many of our business men, particularly those in the middlewest, will watch with great interest this experiment in transportation.

Developments in the past few weeks have shown how vital to the country's prosperity and well-being are adequate transportation facilities, and this being the case, it will be well for the credit man devoting special study and attention to these problems to consider the phase of it in which he is especially interested from every angle, not alone his own, in order that criticism may be constructive and unselfish and suggestions fundamentally and economically sound.

What Causes Failure?

IN Bradstreet's summary of the causes of failure for the year 1919, the report is made that lack of capital leads all other causes of failure. This was true of 1890 to 1912, when incompetence forged to the front. Again in 1913 and 1914 lack of capital took the lead. In 1915 incompetence resumed first place, reaching its zenith in 1919 when 32.2 per cent. of all failures were credited to incompetence as against 30.2 per cent. charged to lack of capital. Incompetence has risen year by year since 1914 when it was but 28 per cent. Lack of capital in 1918 was credited with 33.2 per cent. of all failures, but in 1919 it fell to 30.3 per cent. If incompetence and inexperience are combined, it is found that 43.8 per cent. are chargeable to these kindred causes, and together with lack of capital account for 74.1 per cent. of the failures of 1919. Fraud is credited with 7 per cent. of all failures; this, with incompetence, speculation, neglect and extravagance, induced relatively more failures than in 1918.

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The Railroads' Credit

(Continued from page 8)

sary are so large, some people urge that Congress appropriate more money to be loaned the roads. I personally disapprove of an increase in the revolving fund for the railroads' benefit for the following reasons:

First, the financial condition of the Treasury does not warrant the additional appropriation, and the only way the Government can properly loan the money to the roads would be first to secure it by additional taxation of some sort. We are all agreed that what the business of the country needs is less taxation, not more.

Second, I am anxious to see the Government get out of the railroad business at the earliest possible moment. The proper place for railroad securities is in the strong boxes of individual investors and not in the Treasury of the United States.

We are hearing much today about the necessity of working and saving. The Secretary of the Treasury tells us that according to the best Government estimates, the people of the country spent \$22,000,000,000 for luxuries like candy, jewelry, etc., in the year 1919. This amount of money is sufficient to reproduce at pre-war prices the entire transportation system of the United States.

HOW TO SECURE PROMPT AND CONTINUED CREDIT

To assure a continued improvement in railroad credit and to broaden the investment demand so that fifty or a hundred railroads, instead of twenty or so, can find a ready market for their securities, two decisions on the part of the Interstate Commerce Commission are essential. The Transportation Act directs the Commission to establish rates sufficient to give the carriers a fair return on the aggregate values of their properties, such fair return being defined for the next two years as a minimum of 5½ per cent and a maximum of 6 per cent. When the final valuations of the railroads are completed they will be used as a basis on which the return will be allowed; but the Bureau of Valuation is far from a completion of its work, a final value having been ascertained for not one railroad in the country. The question therefore arises as to what shall be temporarily used as the value of the property. I earnestly hope that the Commission will adopt the so-called property investment account of the carriers as this basis. I think the testimony to which I have already alluded amply warrants their use in the interest of justice to the carriers, and I am certain that their use is highly desirable in the interests of the investor, as the property investment accounts have been used by the Commission in rate cases for the past decade.

The return is based on the aggregate value of properties grouped in the eastern, southern and western territories; therefore while one road may be overcapitalized its neighbor may be undercapitalized and the average in the group approximates the true value. All the tentative valuations so far reported prove this to be so. It is of the utmost importance that the Commission use this standard of the book values rather than set up an arbitrary standard such as the capitalization of the compensation paid the carriers during Federal control.

The second decision that I hope will be made by the Commission is the adoption of 6 per cent as the fair return, instead of 5½ per cent. As Judge Prouty stated recently, "Nothing can improve railroad credit like a liberal attitude on the part of the Commission." He went on to say to business men that their first thought should be to aid the carriers to secure rates that are too high rather than too low, and since the roads are currently paying 7½ per cent and 7¾ per cent for money in order to buy equipment and to give better service, the business men of the country ought not to begrudge a 6 per cent return.

INCREASE IN FREIGHT RATES

This means of course a very considerable increase in freight rates. Without making allowance for increased wages which will doubtless be approved by the Railroad Labor Board, increases of 31 per cent are needed in the eastern and southern districts and 24 per cent in the western district. It is most unfortunate that the Railroad Administration failed to increase rates last year. An increase then would probably have given the Administration sufficient funds to maintain the properties. After Congress reduced the Railroad Administration's appropriation from a billion and a quarter dollars to \$750,000,000 last year, the shortage of funds in the hands of the Railroad Administration was so acute that it was forced to curtail maintenance. The present deplorable condition of locomotives and freight cars is in no small degree due to this fact. Again, simple justice would have dictated the maintenance of earning power since investors cannot fail to be disturbed at the inability of some of the very strong roads to earn their fixed charges. In fact, last year 108, or 65 per cent, of the Class I roads did not earn their fixed charges. Considered as a single transcontinental system, the earnings were just sufficient to cover fixed charges, but if the increased costs under which the rail-

roads are now laboring had prevailed this showing would have been still further reduced. Actually the roads earned about 2½ per cent on their investment. But the increases in cost of operation have been so rapid that this return has been cut to 2 per cent for the western roads, ½ of 1 per cent for the southern, and ¼ of 1 per cent for the eastern roads. Obviously, here is a laborer worthy of his hire who has failed to get it.

Since 1908, \$6,300,000,000 has been added to the cash investment of the railroads, an increase of 47 per cent, and yet the net earnings of 1919 were \$131,000,000, or 20 per cent, less than the earnings in 1908. For instance, the gross earnings of the Baltimore & Ohio in 1918 were almost exactly four times more than they were in 1900. There has been invested \$400,000,000 of cash in the property by the bondholders and stockholders in that period, and yet net earnings were substantially less in 1918 than they were in 1900. This has resulted in depriving the Baltimore & Ohio common stockholders of their common dividends and the price of the stock has fallen to \$32 a share; it would be well to remember that nearly all of the Baltimore & Ohio's stock now outstanding has been sold to investors at \$100 a share.

Statistics like these indicate why it is imperative that the Commission should adopt the most liberal attitude possible under the Transportation Act, which itself is a liberal act. I have reason for believing, however, that the Commission will be liberal and I therefore look to the future of the railroads with distinct optimism.

EXTENDING CREDIT TO RAILROADS FOR SUPPLIES

Adam Smith was not thinking of the railroads when he wrote, "Because the debtors found it difficult to borrow, the creditors found it difficult to get payment." This, I imagine, however, has been your experience with the railroads and you are wondering whether it is going to be as difficult for you to get payment from the railroads as it has been. When you are concerned with the question of the desirability of extending credit to a particular railroad, you should be guided by the action of the investing public. If investors continue to buy securities freely you are reasonably certain of getting your money.

But there are one or two considerations of importance. We have no very reliable yardstick for measuring railroad credit these days. Earnings, as I have explained, are no guide whatever. A few roads have made a more favorable showing under Federal control than ever before in

their history, due in certain instances to diverted traffic. Who can tell whether this traffic will remain or the roads which formerly handled it will not get it back again? No one believes that net earnings of \$11,000,000 for the Pennsylvania Railroad, as compared with \$55,000,000 only three years ago, are fairly indicative of the earning power of that railroad.

Neither are the balance sheets of use in enabling you to determine credit. You will find in all of these sheets a substantial amount of debt due the Government maturing February 28th next year. In the case of the Pennsylvania, this indebtedness amounts to \$27,000,000. This debt arises from the settlements which the Railroad Administration is making with the individual carriers. The Administration, as you know, advanced large sums of money to the roads and spent even larger amounts on the properties for additions and betterments. Under the Transportation Act considerable discretion is allowed the Administration in charging the balances which the Administration owes the roads for unpaid compensation against the balances which the roads owe the Government. The aim of the Administration is to reduce to the smallest point in conformity with the law the amount of cash which will have to be paid to the corporations. Virtually, it means that each road gets just about enough cash to set it going again and the balance of the debt of the road will appear in the balance sheet in the form of one-year notes or in ten-year bonds. Four hundred and ninety million dollars is involved in these two items of one and ten-year obligations; but a debt held by the Government does not cause me any alarm. I cannot conceive of the Secretary of the Treasury forcing a railroad into receivership because of its inability to meet the one-year notes at their maturity next February.

BONDS NEARING MATURITY

I am concerned about the bonds in the hands of the public, which mature in the near future. These present, in the case of some railroads, a very serious problem. Over \$100,000,000 of bonds mature during the balance of this year and over \$380,000,000 next year, and no less than a billion and a quarter prior to 1926. The Commission is, of course, fully aware of the seriousness of this problem and intends to use a part of the revolving fund to take care of the maturities which cannot be financed publicly. On the first of June the Boston & Maine, which was reorganized by the Government during Federal control, and the receiver



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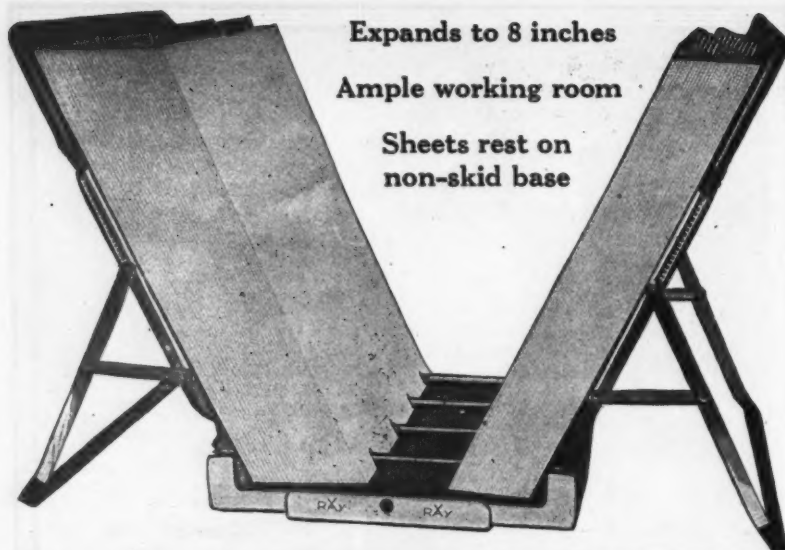
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discharged in December last year, had a maturity of over \$8,000,000. The Commission advanced \$5,000,000 to the company in order to assist it in meeting its maturity. If this precedent is followed, assuming normal financial conditions, the railroads can probably take care of their maturing obligations.

After all, the basic reason why one may feel so much encouraged about the future is because there is clearly a complete change in the attitude of the public. Necessity has been teaching the public some lessons in railroad economics and the lesson seems to have been taken to heart. Not only have people realized that they cannot hurt the railroads without hurting themselves, but they have also learned that the ownership of the railroads really rests with the people. This fact was emphasized by Governor Coolidge in an address a few months ago when he said, "We have generally supposed that economic power was not with the people because they did not own property. This supposition, probably never true, is growing more and more to be contrary to the facts. In the economic life of America the wealth of the nation is owned by the people of the nation."

A few years ago a leader of one of the great railroad brotherhoods, in reply to the assertion that if the increases in pay which he demanded were granted the railroads would become bankrupt, said, "We are not interested. Receivers' cash is as good as any." This was not a recognition of the mutual interests of the employee, the security holder and public that must be preserved if we are to have a thriving transportation system. If the demands of any one party in this triangle become excessive, sooner or later Government ownership must result.

Hands Across the Border

WE are in receipt of a resolution adopted by the Canadian Credit Men's Trust Association at its annual meeting. As indicating the strong bond of sympathy and fellowship for the National Association of Credit Men, it will be appreciated by all our members:

"Resolved, That the Canadian Credit Men's Trust Association, Limited, in annual convention assembled, desire to express their appreciation of the hearty cooperation that has always been extended by the National Association of Credit Men of the United States, coupled with the assurance that the credit men of Canada stand ready at all times to work in harmony with their brothers to the south of them along lines of mutual endeavor."

News of Local Associations

Credit Interchange

Dayton.—E. B. Moran recently addressed the members of the Dayton association on the subject of "The Protection of Credits Through the Credit Interchange Bureau Service." He pointed out that more extensive use of this department of the National Association would mean less work for the Collection, Adjustment and Investigation and Prosecution Departments, and would assure a greater stability of credits in commercial industry.

Charles W. Dupuis, president of the Citizens' National Bank, of Cincinnati, Ohio, acted as "Quiz Master," and cross-examined Mr. Moran on the Credit Interchange Bureau Service, bringing out through this procedure the value of the exchange of ledger experiences, and that after September 1, when this nationalized system becomes operative, the service will be freely used by all members who desire the elimination of everything but merit.

The Dayton and Cincinnati associations have combined in the incorporation of the "Cincinnati-Dayton Credit Interchange Bureau." R. M. Byland, Cincinnati, manager, and N. F. Nolan, Dayton, representative.

Let George Do It

Newark.—A recent issue of the Newark Association Bulletin, edited by Geo. A. Kuhn, secretary, relates that a debtor recently made a composition offer to his creditors of twenty-five cents on the dollar. One of our members from out of town notified the Newark Association. The secretary visited the office of the referee. A glance at the schedule revealed at least ten other members of the local association as interested creditors. The secretary called on some of these creditors and was informed that the matter had been placed in the hands of their respective attorneys.

"In this case there is a division of effort which would easily have been concentrated had the creditor members notified the secretary of their interest in the matter. It is one of the purposes of the association to represent its members at hearings of debtors who are in bankruptcy or who offer a composition settlement. By combining the claims of various creditors there usually is established a preponderance of representation at the creditors' meetings. The cost to the members is nothing at all."

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Competitive Plan to Stimulate Attendance at Meetings

Evansville, Ind.—The Evansville Association of Credit Men held a meeting to hear the message from the Evansville delegates to the Atlantic City convention. Those reporting were: E. K. Scherer, A. F. Bader, M. H. Swift, Nicholas Angermeier, G. H. Lutz, H. W. Sparrenberger, W. A. Oertwig and H. W. Voss. Particular satisfaction was expressed in the condemnation by the convention of the principle at the basis of the Lever Act which aims to fix prices and determine by legislative mandate what is a fair profit.

Attendance upon Evansville meetings is being stimulated by a contest between the "Reds" and the "Blues," the entire membership being divided into sides. Thus far the "Blues" are in the lead in attendance of members at the meetings, but at the general meeting the sides were tied, and the contest will go merrily on until fall when some recognition will be given the winning side.

Burly of Fort Wayne

Fort Wayne, Ind.—Andrew G. Burry, of the Fort Wayne Box Co., has been made president of the Fort Wayne Association of Credit Men. They are proud of Burry in Fort Wayne and of the splendid record he has made since as a boy nine years of age he came to America from Switzerland.

Mr. Burry is strictly a self-made man, having, in spite of his father's inability to send him to college, seen his way through a preparatory school and Oberlin University. While still at college he was asked to come to Fort Wayne to enter the paper box business, and at the age of twenty-seven was in full charge of the plant of the Fort Wayne Paper Box Company plant, having succeeded the general manager who had died. He is known to Fort Wayne as a man liberal in his charities and tireless and unselfish in giving time and effort for his fellows. He has established a nation-wide reputation in the paper box line, for the manner in which he carries on his plant, and has been twice honored with the presidency of the Box Manufacturers Association.

Local Group Conferences

Indianapolis.—At one of the recent weekly meetings of the Indianapolis Association, Secretary Lawrence G. Holmes told the members that the Indianapolis organization during the coming year would be divided into trade conferences, with members in each line of business grouped in separate units. He declared that mutual interests in the various lines can best be served by this method. The plan, he said, is one recommended to local organizations by officers of the National Association of Credit Men, who had been watching experiments along this line for a number of years at various points. Mr. Holmes said that associations such as that at Indianapolis might be divided into seven-teen groups, and that each group would be under the direction of a chairman and a vice chairman, elected by the members, who would take care of the details as to place and time of meeting.

Delegates Report

Louisville.—A meeting of the Louisville Association was called to receive reports from delegates to the National Association's convention, the principal reports

being by P. B. Bethel and A. B. Harris. Attention was called at this meeting to the plan for the annual mid-summer outing of the association to be held at one of the country clubs at which all promised to be present.

President for Fifteen Consecutive Years

Norfolk-Tidewater.—Henry G. Barbee, of Harris, Woodson, Barbee Co., has been for the fifteenth consecutive year elected to the presidency of the Norfolk-Tidewater Association of Credit Men. The recent annual meeting concluded by taking the form of a testimonial to Mr. Barbee.

The reports of the year's work show that the association is in a particularly healthy condition, that its work has been extensive, and the benefits derived by its membership widely and gladly acknowledged.

Credit in Cuba

AT this time when we have been building up a large and mutually profitable trade between Cuba and the United States, it is most unfortunate that we must witness conditions arising which tend to disturb that feeling of confidence in one another which is so essential to large undertakings. There can never be freedom of trade when the seller feels forced to hedge himself about with all manner of protecting clauses in his contracts lest the buyer treat lightly his responsibility under the transaction. Communities and individuals that have acquired a reputation for unfair dealing—whether justly or unjustly—are but restricting their future business growth and prosperity. Credit spreads its wings in flight from a people or a community that is careless in fulfilling its spoken or written words. It is therefore a matter of concern when men prominent in their community or among their people do that which reflects upon the whole community and its people.

A situation has arisen in Cuba which, it is feared, makes these sentiments apply there unpleasantly, for certain large contracts were entered into by prominent business men principally of Cienfuegos, for rice purchased from California merchants who shipped it in good faith. Much of it had arrived at Cienfuegos or was en route when the orders were repudiated for reasons that were clearly pretexts and would not stand a close examination. The merchants of Cienfuegos who are guilty of repudiation of contracts are undoubtedly saving an immediate loss, but they have fastened upon themselves and upon their community and upon Cuban merchants as a whole a stigma which will for some time to come close or restrict certain channels of credit which but for this case would have been wide open to them.

The Chemical National Bank of New York

FOUNDED 1824

CAPITAL	\$ 4,500,000
SURPLUS & PROFITS	14,500,000
TOTAL RESOURCES	225,000,000

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Credit and Collection Letters

By Wm. B. Layton, at Pacific Northwest Conference

CREDIT and collection letters are the most highly specialized of all business correspondence.

The credit letter is that letter which looks forward. It has to do with the assembling of credit information. Be careful to whom it is addressed. Be sure that the addressee will respect your confidence and assure him you will respect his. Remember, the credit letter is seeking a favor. Make it easy to be answered.

The collection letter has to do with the settlement of an account. Avoid every subterfuge. Avoid all the tricks which are sometimes so extensively advertised by collection agencies. Be honest with your debtor and with yourself. Be frank and explicit in your statements and you will be better gratified with your results. When it becomes necessary to threaten a debtor, first be sure you will be ready, willing and able to execute the threat if it becomes necessary for you to do so. There is no letter which requires more skill, more diplomacy, more ability than the collection letter.

As a general rule, when an appeal to a debtor's honor fails, then more

persuasive means must be resorted to and let it be said that if the credit correspondence has been properly conducted and the credit information properly compiled, the best and the most effective means of collection will already be in the credit files before it becomes necessary to make the collection.

Progressive houses are today demanding that all letters be written with careful consideration of their influence on sales.

Arnold C. Boardman says: "When we have a letter to write to anybody for any purpose, the job, reduced to its primary elements, is to put something we know, see, believe, feel or want into words and phrases that, when signed, mailed and delivered to the one to whom we write, will be read, understood, believed, agreed with or acted upon."

Convention Resolutions in Pamphlet Form

ANY member of the National Association of Credit Men may now secure without charge, in pamphlet form, the resolutions adopted by the Association at the 1920 Convention at Atlantic City, by addressing the National office of the Association.

Credit Men! These advertisers are buying space in YOUR magazine.

Credit Accommodations on Freight Bills

By W. R. Montgomery

Counsel of the National Association of Credit Men

AN order effective July 1, 1920, has been issued by the Interstate Commerce Commission, promulgating the rules and regulations of the Commission with regard to the payment of freight rates and charges and establishing the period of credit which may be allowed by the carriers.

The order in full is as follows:

"IT IS ORDERED, That the following rules and regulations be, and they are hereby, prescribed to become effective on July 1, 1920, and to remain in force until the further order of the Commission:

1. Where retention of possession of any freight by the carrier until the tariff rates and charges thereon have been paid will retard prompt delivery or will retard prompt release of equipment or station facilities, the carrier, upon taking precautions deemed by it to be sufficient to insure payment of the tariff charges within the period of credit herein specified, may relinquish possession of the freight in advance of payment of the tariff charges thereon and may extend credit in the amount of such charges to those who undertake to pay such charges, such persons being herein called shippers, for a period of ninety-six hours to be computed as follows:

(A) Where the freight bill is presented to the shipper prior to, or at the time of, delivery of the freight the ninety-six hours of credit shall run from the first 4:00 p.m., following the delivery of the freight.

(B) Where the freight bill is presented to the shipper subsequent to the time the freight is delivered the ninety-six hours of credit shall run from the first 4:00 p.m., following the presentation of the freight bill.

2. Every such shipper shall present freight bills to shippers not later than the first 4 p.m. following delivery of the freight, except that when information sufficient to enable the carrier to compute the tariff charges is not then available to the carrier at the delivery point, the freight bills shall be presented not later than the first 4 p.m. following the day upon which sufficient information becomes available to the delivering agent of the carrier.

3. Shippers may elect to have their freight bills presented by means of the United States mails, and when the mail service is so used the time of mailing by the carrier shall be deemed to be the time of presentation of the bills. In case of dispute as to the time of mailing the postmark shall be accepted as showing such time.

4. Sundays and legal holidays, other than Saturday half holidays, may be excluded from the computation of the period of credit.

5. The mailing by the shipper of valid checks, drafts, or money orders which are satisfactory to the carrier in payment of the tariff charges, within the period of credit prescribed above, may be deemed to be payment of the tariff charges within the period of ninety-six hours of credit. In case of dispute as

to the time of mailing the postmark shall be accepted as showing such time. By the Commission.

GEORGE B. MCGINTY,
Secretary."

This order is substantially a continuation of General Order No. 25 of the Railroad Administration relating to the extension of credit by railroads. A hearing was had on April 20 and 21, 1920, before the Commission and many shippers, certain organizations of shippers and the principal carriers were heard with reference to the period of credit which should be allowed. The maximum period suggested by the carriers as proper and necessary was ninety-six hours, and the period asked by many of the shippers was that of weekly settlement. A few of the shippers asked for long periods of credit, but the Commission, finding that Section 3 of the Interstate Commerce Act prohibits long credits, refused to consider this request.

It will be remembered that the National Association of Credit Men adopted a resolution at the recent convention, urging upon the carriers an early return to the weekly accommodation basis of settlement of freight charges. The period which was established by General Order No. 25 was forty-eight hours. This period has been extended by the new order to ninety-six hours.

In the report of the hearing the intent of the new order is explained by the Commission in the following language:

"In the rules and regulations which we promulgate we will not undertake to deal with several matters which are covered by General Order No. 25. We will not prescribe rules for the collection of prepaid charges on shipments of freight or for the collection of passenger fares or baggage charges, or for the form or character of surety bonds. We believe that our order will admit of the application to those matters of the provisions of General Order No. 25, as supplemented, or other appropriate rules to be formulated by the carriers, and that we should leave the carriers free to prescribe these and other details in the instructions which we expect that the carriers will issue for the guidance of their agents. We expect that carriers will refrain from granting undue extensions of credit that might arise from the transmission of freight bills, checks, drafts, and money orders through the mails to or from offices of shippers that are located at a considerable distance from the places where the carriers relinquish possession of the freight."

Capt. Samuel D. Buck

THAT fine old veteran of the Association, Captain Samuel D. Buck, of Baltimore, died at his home June 29. Born on a farm overlooking the Shenandoah in 1841, he entered the Civil War in 1861, serving with the "Boomerangs," as the 13th Virginia Infantry was called. He was made captain on the battle field of Antietam, being one of the youngest officers of his regiment. In another battle he was chosen by his general to burn a bridge over the Rappahannock, and with a dozen men, in spite of a terrific cross fire, he accomplished the purpose of his errand, receiving the commendation of his general and a declaration that "Buck is one of the bravest men I ever saw."

Directly after the war Captain Buck went to Baltimore and became a traveling salesman for a large wholesale shoe house. Later he went into business on his own account and continued until the time of the big Baltimore fire, when his business was wiped out. Directly after the fire he became secretary and general manager of the Baltimore Association of Credit Men, to which organization he devoted the last fifteen years of his life.

He had always served as credit man for his concern and was particularly fitted for the work to which he gave his heart and soul. He watched the Association, which he served as secretary until a year ago, grow from a small group to an influential force in the city of his adoption. Failing health led him to resign; and he was made secretary emeritus.

Col. James E. Porter

ANOTHER veteran member of the National Association, Col. James E. Porter, of the Firth-Sterling Steel Co., of McKeesport, Pa., died last month. Col. Porter has been a prominent figure at the National Association conventions for many years and served for two terms as a director. He was one of the most regular attendants upon the meetings of the Pittsburgh association, which he served for many years as vice-president and later as president. Like the late Captain Buck, he was a veteran of the Civil War. The two men fought on opposite sides in the great conflict, but were warm and outspoken friends during the many years that they served together under the banner of the Association.

Trade Acceptances and Indemnity Bonds

THE customer of a tire company executed trade acceptances to cover purchases. These acceptances were lost in the mail. The tire company thereupon asked the acceptor to execute duplicate acceptances, to which the buyer replied that acceptances are highly negotiable instruments, that if the original acceptances got into the hands of a bona fide purchaser, no defence would avail the acceptor, and the acceptor must have an indemnity bond from the tire company before executing the duplicate papers. The bond asked for was simply that of the tire company without surety.

Now, there is no reason in such case why the acceptor should demand an indemnity bond unless he lacks confidence in the integrity of the tire company; but if he does not trust the tire company, and feels himself safer with the company's bond than without it, the tire company assumes no risk in giving such bond even though it run forever. Such a bond as the acceptor requests, however, has no more value than a letter from the tire company agreeing to indemnify the acceptor in case the original acceptances are negotiated.

It should be observed that the original acceptances being payable to the tire company, they cannot be negotiated without the endorsement of that company, and if so endorsed and negotiated, the tire company will have received full value for the original acceptances.

If the original acceptances are negotiated by forgery, the acceptor will not be liable for them; but if the acceptor's bank pays on such forgery, the bank will be liable to the acceptor.

Probably the practical thing in this case was that the tire company execute the bond to satisfy the acceptor's whim, because that is about what the acceptor's attitude amounts to.

Two Bouquets

Delighted

I am delighted with the appearance and contents of THE CREDIT MONTHLY. Please extend to the committee responsible my heartiest congratulations. — WICHITA ASSOCIATION OF CREDIT MEN, M. E. Garrison, Manager, Wichita, Kan.

Business-like and Up-to-date

You surely now have a most business-like and up-to-date magazine.—WM. G. WOODWORTH, Bausch & Lomb Optical Co., Rochester, N. Y.



The Standard Work on Credit Management

Heavy responsibilities are imposed upon the credit manager by the present economic situation. The welfare of the concerns to whom he extends credit, the safety of his own business, the prosperity of the business world in general, are all dependent upon his grasp of the fundamentals underlying the theory and practice of credit management.

Here is a book that ties up correct theory with the most approved practice—written in collaboration by a professor in the world's greatest university school of commerce and the credit manager of a nationally known business concern:

Credits and Collections

By RICHARD P. ETTINGER, Assistant Professor of Finance, New York University School of Commerce, Accounts and Finance; and DAVID GOLIEB, Credit Manager, Einstein-Wolff Company.

This is a book that tells not only *how*, but *why*. It covers the whole field of credit management, from passing on the credit risk to the collection of the final dollar of the account.

Theory of Credit
Trade Acceptances and Other Credit Instruments
Classes of Credit—Mercantile, Personal, Banking, Investment
Terms of Credit
The Credit Risk
Duties of the Credit Manager
Sources of Credit Information
Financial Statements
Collection Methods and Systems
Legal Remedies of the Creditor
Extensions, Compositions and Adjustments
Bankruptcy, Insolvency and Receiverships
Credit Safeguards
National Association of Credit Men

Exact Information

On each of the above subjects, and many others, this book gives you *exact information* as to the latest policies and procedure. It brings you, ready-to-use, described in detail, the methods that have proved effective in the personal experience of the authors.

PRENTICE HALL, Inc.

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Charts and Forms

The text is profusely illustrated with charts and forms, covering the various branches of the credit man's work. These include—

Letters of Credit and other documents used in domestic and foreign trade
Ledger Reports; Mercantile Agency and Credit Bureau Reports
Forms of Financial Statements
Collection Letters and Forms used by Collection Agencies
Form of Credit Guaranty, etc., etc.

Send for This Book To-day

Even the best-managed business must spend money in attorneys' fees and collection agency commissions in order to collect its slow accounts. The suggestions and definite instructions given in this book, based on the practical experience of the authors, will undoubtedly reduce your collection expenses—to say nothing of your outright losses—sufficiently to pay for the book many times over.

Cloth-bound—400 pages—only \$3. Send for it to-day

MAIL THIS COUPON TO-DAY
 Prentice-Hall, Inc.

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For the enclosed \$3 please send me a copy of Ettinger and Golieb's *Credits and Collections*. It is understood that after ten days' examination I may return the book and you will refund my three dollars.

Name (Please print)

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Address

City State

Credit Men! These advertisers are buying space in YOUR magazine.

CREDIT MEN'S HEADQUARTERS

for trade acceptance forms, letters
and circulars is the National Office of the Association.

Many hundreds of thousands of these and similar documents are supplied to members and others every year.

Among the most called for forms are the following:

THE UNIFORM TRADE INQUIRY BLANK

New conditions mean fresh revisions, that the credit man may check his old estimates, and this checking can best be done through an exchange of ledger experience with fellow credit grantors.

Revise your credit estimates. Bring them down to the latest date by using that great credit department facility—The Uniform Trade Inquiry Blank.

Prices, 500..\$6.50
1,000..11.75

The customer's own estimate of his standing as a credit risk is secured by the use of the Property Statement. In addition, it tell-tales whether the customer is giving sufficient attention to his accounts.

With it before him, the credit grantor can measure better the miscellaneous facts he gathers regarding the customer's willingness and ability to pay.

Samples of these and other forms sent on request

What forms do you need?

Statement forms should be standard.

There are leading questions no statement form should omit. Besides, the request for a statement is more likely to be complied with in good spirit if it bears the stamp of an influential association. The forms adopted by the National Association of Credit Men came out of the studies of committees of leading credit grantors.

THE STANDARD PROP- ERTY STATEMENT FORMS

of the National Association of Credit Men can be had either in self-addressed envelope form or returnable in separate envelope. The first has the distinct advantage of carrying positive and undeniable proof of transmission through the United States mails (see Section 215, U. S. Criminal Code, regarding the fraudulent use of the mails).

Prices

Envelope Form, Imprinted,
250.. \$8.50
500.. 14.00
1,000.. 24.00

Envelope Form, without imprint,
250.. \$6.00
500.. 10.00
1,000.. 18.00

NATIONAL ASSOCIATION OF CREDIT MEN

41 Park Row, New York

The Bulwark of Credit

Is Adequate Insurance



THE merchant who pays his debts and protects his store and contents with a policy in the **QUEEN** Insurance Company of America, has little trouble in securing any reasonable amount of credit.

Wholesale and retail merchants have found it to be sound business policy, when insuring their plants against fire, to discriminate in favor of companies having such financial strength as to be practically unaffected by the greatest conflagrations.

QUEEN agents are at your service in every important city and town throughout the United States.

In respect to financial strength and fair treatment of policy holders in its ordinary and conflagration losses, this company occupies a most enviable position. At San Francisco—the conflagration involving the greatest monetary loss in all history—the **QUEEN** paid, in cash, without discount, nearly \$2,000,000.

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Incorporated under Laws New York State 1891

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\$10,394,164

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ATLANTA

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Surplus to Policyholders,
\$7,477,600

Pacific Coast Dept.
Rolla V. Watt, Mgr.
SAN FRANCISCO

Credit Men! These advertisers are buying space in YOUR magazine.

ADDRESSES WANTED

How Many of These Addresses Can You Supply?

The credit man with a true spirit of co-operation reads the names of individuals whose addresses are unknown and sends along whatever information he has. "It is the little courtesies easiest to render that are often the most appreciated."

Improper business methods are not imputed to any of the persons mentioned below. It is simply that their addresses are missing.

Campolieti, M., formerly at 281 Mott St., New York City.

Carsman, Julius, who was conducting business at 82 Wilson St., Larksville, Pa. This party is reported to have gone to California.

Dau-Tel, Edward A., formerly operating under the "Dau-Tel Sign System," 256 Main St., Paterson, N. J.

Davis, James H., operating as Davis Tire & Repair Shop, 11008 S. Michigan Ave., Chicago.

Fitzgerald, Ira O., formerly of 120 N. Emporia St., Wichita, Kans.

Glinks Bros., who lately operated the Buffalo Sanitary Bakery, at 1206 Broadway, Buffalo, N. Y.

Gorman, W. C., Big Sandy, Texas. Later of Ranger, Texas.

Graham, J. H., operating in 1918 under style Jamestown Tire Repair Co., Jamestown, N. D., and later reported to be working in Aberdeen, S. D., and Akron, Ohio.

Greene & Strong Co., 806 Main Street, Worcester, Mass.

Hansen, Sid, lately of Ephraim, Utah.

Heth, L. J., Manufacturing Co., formerly located in East St. Louis, Ill.

Horowitz, Mr., formerly connected with the Toledo Upholstering Co., of Toledo, Ohio.

Hullinger, G. W., formerly located at 1542 West 3rd St., Davenport, Iowa.

Lowden, M. H., formerly of 206 Masonic Bldg., Mobile, Alabama.

Mazzola, Michael, and Maurice Edelstein, proprietors of the Allied Chemical Exchange & Sales Company, Newark, N. J.

Moskowitz, A., former proprietor Atlantic & Nostrand Garage, 1255 Atlantic Ave., Brooklyn, N. Y.

Olson, A., Capitol Garage, 5436 N. Clark St., Chicago, Ill.

Paolini, A., formerly at 2154 West Harrison St., Chicago, Ill.

Parker, C. A., formerly in business at Tulsa, Okla.

Rosenberg, H., former address 477 Van Brunt St., Brooklyn, N. Y.

Saunders, J. P., Proprietor, Bluefield Coffee Co., Bluefield, W. Va.

Schmidt, Frank, formerly engaged in the grocery and meat business at 3301 N. Howard St., Philadelphia, Pa.

Schuten, H. J., recently doing a drug business at 617 Spring St., West Hoboken, N. J.

Sparks, W. R., formerly in business at Picher, Okla. Later worked for a construction company at Clinton, Okla., and left for parts unknown.

Spiropoulos, D. A., formerly at 2161 2nd Ave., New York City.

Stevenson, A. L., formerly of 1409 17th St., N. E., Canton, Ohio.

Tachlovsky, J. V., formerly of Wilbur, Nebraska.

Taylor, J. P., Parker, Ill.

Telzerow, E., last address 708 Superior Avenue, Cleveland, Ohio.

Watts, J. B. Lesley, Ark.

Wilkerson, F. E., Clovis, New Mexico.

Classified Advertisements

POSITIONS WANTED

(522)

CREDIT AND COLLECTION MANAGER—14 years' experience with two large manufacturers, desires greater opportunity. Thoroughly familiar with all parts of the country; accustomed to handle large volume. Average credit loss with present employer, over a period of years, is 1/15 of 1%. Exceptional references. Willing to locate anywhere. Age 32, married. Salary \$3,000. Address Advertisement 522.

(523)

CREDIT MANAGER—Position wanted in Cincinnati by an experienced credit man, accountant and office manager; ten years' experience. Age 31, married. Address Advertisement 523.

(524)

POSITION DESIRED AS CREDIT AND COLLECTION MANAGER or assistant with manufacturing or jobbing establishment offering permanence and opportunity for ability, efficiency and loyalty. Eighteen years' business training in credits and collections and office management. Have been with present employers over 17 years, and for the last 14 years have had charge of all credits and collections covering every state in the Union and Canada. Experience in both short and long term credits. Highest references as to character and ability. Would consider position as assistant credit man, also moderate salary to start if future prospects are favorable. Best of reasons for making a change from present position. Address Advertisement 524.

(525)

CREDIT MANAGER AND ACCOUNTANT—Experienced in auditing credits and collections with ability to organize and systematize. Eighteen years' practical experience with the same company, covering the hardware trade all over the United States. Highest references. Age 39, married; university training. Prefer to locate in Philadelphia or vicinity. Open for immediate engagement. Address Advertisement 525.

EXPERIENCED CREDIT MAN desires position offering greater possibilities than present employment. Has a working knowledge of exporting and other educational qualifications. Fourteen years' office experience. Willing to go anywhere in the world. Salary expected to be commensurate with position. Age 34. Full particulars will be given on request. Address Advertisement 526.

POSITIONS WANTED

CREDIT MANAGER

ACCOUNTANCY — EXECUTIVE — Capable correspondent. Collections, Efficiency auditing and adjustments. Sales-method promoter. More than 20 years' experience, covering interchange of business relations with high-grade Stationery and Printing concerns throughout entire States. Will appreciate early designation for interview and opportunity to submit further credentials. Also my reason for retiring from present connection of a very considerable period. Age 45, married. Salary \$3,500.00. Address Advertisement 528.

INFORMATION WANTED

Members having had dealings with the following individuals and companies kindly communicate with the National Association of Credit Men, 41 Park Row, New York, N. Y.

Branchville Auto Supply Co., Branchville, S. C.

Cairns, A. L., Cary, Ky.

Howland, J. S., claiming to represent Cobb-Raymond Co. of Detroit. Members should be on the lookout for this person whose scheme is to tell members that Mr. Cobb of the Cobb-Raymond Co. is Tyrus Cobb, the American League pitcher, and is placing orders for automobile accessories. Please communicate any information you may have to this office.

Pacific Trading Co. or Pacific Sales Co., 830 Market St. (Westbank Building), San Francisco, Cal.

Polack Bros., 508 Times Bldg., New York, N. Y., and at Hibbing, Minn., under the name, 20 Big Shows.

Wolf & Baker Drug Co., 599 Bergen Street, Brooklyn, N. Y.

Thrift

THE report of the Industrial Department of the Y. M. C. A. upon the results of the National Thrift Week is an account of great interest to credit men. In nearly every community of importance of the country, there was some form of participation in this campaign. From many places came reports that more had been done in the eight days of Thrift Week to advance a broad conception of thrift than had been accomplished by all the efforts of Liberty Loan campaigns, and that the teachings of the week in a great measure are certain to counteract the poison of parlor socialists and violent red agitators. Not the least advertised day of the week was "Pay Your Bills Promptly Day," to which a great amount of newspaper publicity was given both in editorial and advertising columns. In the teachings of that day there was much sound advice given to the general public on how to build one's credit strong.

Insurance Against Forgery

NOWADAYS when you can get insurance against almost any untoward happening of life, it will probably cause no surprise that there are being issued forgery bonds against the forging of checks or drafts and the felonious raising or altering of the amount payable under the check or draft. This protection is said to be more sweeping and effective than the protection afforded by special design in paper or even that afforded by machine writing or perforating, for the reason that all sorts and kinds of alterations are covered by the policies. It is said that the losses throughout the country, against which this form of insurance protects, runs into many millions annually. This method also overcomes the delays in endeavoring to place the responsibility for the loss caused by forgery upon one or the other party through whose hands the check passed.

Adjustment Bureaus

Directory of Bureaus Conducted by Local Associations of Credit Men

Correspondence with Adjustment Bureaus regarding insolvency or bankruptcy claims, should be directed to the manager of the bureau in each instance. These bureaus are operated in accordance with rules adopted by the National Association of Credit Men for the governance of adjustment service, and the manager is directly responsible to a special committee of the local association whose chairman is also listed for most of the bureaus.

The chairman will be glad to be informed whenever a member may feel that he has just grounds for complaint against the service of the bureau.

CALIFORNIA, Los Angeles, F. C. De Lano, Mgr., Higgins Bldg.
 CALIFORNIA, San Diego, Carl O. Retsloff, Mgr., 573 Spreckels Bldg.
 Carl O. Retsloff, Chairman.
 CALIFORNIA, San Francisco, Board of Trade of San Francisco.
 DISTRICT OF COLUMBIA, Washington, R. Preston Shealey, Sec'y and Mgr., 726 Colorado Bldg.
 FLORIDA, Jacksonville, A. J. Brown, Mgr., 905 Biabee Bldg. M. S. Pollak, Chairman, care Benedict Pollak Co.
 FLORIDA, Tampa, S. B. Owen, Mgr., 5 Roberts Bldg.
 GEORGIA, Atlanta, R. Y. Barrett, Mgr., 304 Chamber of Commerce Bldg. Robert E. Harvey, Chairman, Fourth National Bank Bldg.
 GEORGIA, Augusta, W. B. Oliver, Mgr., 6 Campbell Bldg. Milledge Murphey, Chairman, Care Murphey & Co.
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